

suspending citizens' military training camps and reserve officers' training; to the Committee on Appropriations.

7675. Also, petition of Mr. Andrew Short, mayor of Sault Ste. Marie, Mich., protesting against the elimination of 2,000 Army officers, Reserve Officers' Training Corps, and citizens' military training camps, from Army appropriation bill now before the House; to the Committee on Appropriations.

7676. Also, petition of American Legion Auxiliary, Escanaba, Mich., protesting against suspension of reserve officers' and citizens' military training camps; to the Committee on Military Affairs.

7677. Also, petition of American Legion Auxiliary, Newberry, Mich., protesting against suspension of reserve officers' and citizens' military training camps; to the Committee on Military Affairs.

7678. Also, petition of 11 units of the American Legion Auxiliary in lower eleventh Michigan district, protesting against the suspension of reserve officers' and citizens' military training camps; to the Committee on Military Affairs.

7679. By Mr. BUTLER: Petition of citizens of Baker County, Oreg., protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

7680. By Mr. CRAWL: Petition of Veterans of Foreign Wars, Department of California and Nevada, protesting against any reduction or disallowance in appropriations to Reserve Officers' Training Corps, citizens' military training camps, national rifle matches, reduction of National Guard strength, and reduction of Regular Army officers' strength; to the Committee on Appropriations.

7681. By Mr. HAINES: Resolution adopted by Gen. Joseph B. Hutchinson Camp, No. 92, United Spanish War Veterans, Department of Pennsylvania, protesting against legislation contained in economy bill affecting Spanish War veterans; to the Committee on Economy.

7682. Also, resolution adopted by Gen. Joseph B. Hutchinson Camp, No. 92, Auxiliary No. 51, of the United Spanish War Veterans, Department of Pennsylvania, protesting against legislation contained in economy bill affecting Spanish War veterans; to the Committee on Economy.

7683. By Mr. LINDSAY: Petition of employees of the Martindale Mercantile Agency, New York City, supporting the proposal submitted by Capt. Archibald B. Roosevelt, of the National Economy Committee; to the Committee on World War Veterans' Legislation.

7684. By Mr. RUDD: Petition of Delta Duck Club, New Orleans, La., protesting against the passage of Senate bill 768; to the Committee on Agriculture.

7685. Also, petition of Roger W. Allen, treasurer of Nugents the Garment Weekly, opposing postal rate increase on the advertising portions of magazines and newspapers; to the Committee on Ways and Means.

7686. Also, petition of employees of the Martindale Mercantile Agency (Inc.), New York City, favoring the proposal submitted by Capt. Archibald B. Roosevelt, of the National Economy Committee; to the Committee on World War Veterans' Legislation.

7687. By Mr. SANDERS of New York: Petition of the Rochester Amateur Radio Association, opposing provision requiring payment of fees by radio amateurs, contained in House bill 7716; to the Committee on Merchant Marine, Radio, and Fisheries.

7688. By Mr. SNOW: Petition of A. J. McNaughton, of Bangor, Me., and many other citizens, favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7689. Also, petition of Oscar H. Johnson, of Bangor, Me., and many other citizens, favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7690. Also, petition of Frank J. Albert, of Bangor, Me., and many other citizens, favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7691. By Mr. TREADWAY: Petition of H. A. Denman and others, favoring House bill 9891, providing for pensions for railroad employees; to the Committee on Interstate and Foreign Commerce.

7692. By Mr. WHITTINGTON: Petition of Beppo Arnold Post, American Legion, Greenville, Miss., opposing the payment of the soldiers' bonus and favoring suspending of the payment of interest on loans; to the Committee on Ways and Means.

7693. By Mr. WOOD of Indiana: Petition of residents of Indiana, protesting against compulsory Sunday laws; to the Committee on the District of Columbia.

## SENATE

WEDNESDAY, MAY 11, 1932

(Legislative day of Monday, May 9, 1932)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

### MESSAGE FROM THE HOUSE—ENROLLED BILLS AND JOINT RESOLUTION SIGNED

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the Vice President:

S. 2775. An act to amend an act entitled "An act to incorporate the Masonic Mutual Relief Association of the District of Columbia," approved March 3, 1869, as amended;

H. R. 615. An act for the relief of C. B. Bellows;

H. R. 1554. An act for the relief of G. Carroll Ross;

H. R. 8637. An act to authorize the sale, on competitive bids, of unallotted lands on the Lac du Flambeau Indian Reservation, in Wisconsin, not needed for allotment, tribal, or administrative purposes;

H. R. 9393. An act to increase passport fees, and for other purposes;

H. R. 9591. An act to extend the period of time during which final proof may be offered by homestead entrymen;

H. R. 9970. An act to add certain land to the Crater Lake National Park in the State of Oregon, and for other purposes;

H. R. 10277. An act to transfer Lincoln County from the Columbia division to the Winchester division of the middle Tennessee judicial district;

H. R. 10284. An act to authorize the acquisition of additional land in the city of Medford, Oreg., for use in connection with the administration of the Crater Lake National Park;

H. R. 10744. An act to authorize the issuance of patents for certain lands in the State of Colorado to certain persons; and

S. J. Res. 50. Joint resolution to authorize the Commissioners of the District of Columbia to close upper Water Street between Twenty-second and Twenty-third Streets.

### REVENUE AND TAXATION

Mr. SMOOT. Mr. President, from the Committee on Finance I submit the majority report on the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, known as the revenue bill (Rept. No. 665). I will say to the Senate that in a very few moments there will be copies of the report on the desks of Senators so they will have it to look over during the day or this evening. Tomorrow, as soon as I can obtain the floor, I shall address the Senate on the bill, explaining in detail just what it accomplishes.

Mr. WALSH of Massachusetts. Mr. President, the senior Senator from Utah [Mr. Smoot] has just filed a report from the Finance Committee on the revenue bill. Several members of that committee constituting a minority are desirous of filing, and now ask permission to file, the views of the minority, and ask also for authority to have the views of the minority printed.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The views of the minority of the Committee on Finance on the revenue bill were subsequently submitted by Mr. WALSH of Massachusetts and ordered to be printed as part 2 of Report No. 665.

#### CALL OF THE ROLL

Mr. ROBINSON of Arkansas obtained the floor.

Mr. FESS. Will the Senator yield, that I may suggest the absence of a quorum?

Mr. ROBINSON of Arkansas. I yield.

Mr. FESS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Fletcher	Lewis	Smith
Austin	George	Logan	Smoot
Barbour	Glass	McGill	Steiwer
Bulkeley	Glenn	McNary	Stephens
Bulow	Goldsborough	Moses	Thomas, Idaho
Capper	Gore	Norbeck	Townsend
Caraway	Hale	Norris	Trammell
Carey	Hastings	Nye	Vandenberg
Cohen	Hayden	Oddle	Wagner
Connally	Howell	Pittman	Walcott
Coolidge	Johnson	Reed	Walsh, Mass.
Copeland	Kean	Robinson, Ark.	Walsh, Mont.
Costigan	Kendrick	Robinson, Ind.	Watson
Davis	Keyes	Sheppard	Wheeler
Fess	La Follette	Shipstead	

Mr. FESS. I desire to announce that the following-named Senators are detained in a meeting of the Committee on Appropriations: The Senator from Washington [Mr. JONES], the Senator from Connecticut [Mr. BRIGHAM], the Senator from Iowa [Mr. DICKINSON], the Senator from South Carolina [Mr. BYRNES], the Senator from Tennessee [Mr. McKELLAR], and the Senator from New Mexico [Mr. BRATTON].

The VICE PRESIDENT. Fifty-nine Senators have answered to their names. A quorum is present.

#### BUSINESS OF THE SESSION

Mr. ROBINSON of Arkansas. Mr. President, the importance and the urgency of the subject in mind are the justification for my taking the floor to make a brief statement.

The greatest fear that has gripped this country is that of unemployment, actual or apprehended. It has chilled every heart and carries back through the merchant, the manufacturer, the farmer, and the producer of other raw materials. Many suggestions for constructive measures have been made, some of them by Senators who have devoted much more study to the subject than I have been able to do. Suggestions have also been made by others who are not Members of the Congress. It is with a full consciousness of the limitations on my own knowledge that I venture to suggest in general terms some principles and measures which it is hoped will be given consideration and regarded as helpful in working out the problems to which the suggestions relate.

This is a crisis, and as in a war crisis we necessarily classify worthy economic projects in two groups: First, those which are indispensable and permit immediate action; second, other advantageous and helpful measures which can not be quickly or immediately formulated and carried into effect.

The indispensable measures, as I view them, are a balanced Budget and methods to get actual buying power into the hands of consumers. A government which can not or will not pay the bulk of its annual expenses out of revenues must soon come to the end of its borrowing capacity. There is only one course left, namely, by one means or another to issue money of doubtful value. Fear chills the hearts of our people because of the possibility of that now, and we shall go farther down into the depths unless expenses and receipts are brought together. The fear that this will not be done nullifies every plan enacted or proposed.

It is not practicable to provide out of revenues this year precisely all expenses contemplated by the appropriations which probably must be made. It is indispensable to take steps that will bring the Budget into approximate balance and appeal to every reasonable and informed man to aid in bringing about a complete balance next year. When

this is done, and the honesty of our money and fiscal policy is established and maintained in the eyes of all the world, there will be no necessity to resort to questionable processes for expanding the currency or for any other form of fiscal tinkering. Money will flow here out of retreat from all parts of the world and out of hiding into business from all sections of the country, buying will be resumed, and we shall have reached the end of two and a half years of uninterrupted deflation. Based on these considerations, the following suggestions are respectfully submitted:

Establish and maintain the public credit beyond peradventure by a frank and unequivocal statement of probable revenues and proposed expenditures, not omitting from the latter items merely deferred. This information is essential to the reestablishment of confidence in the fiscal affairs of this Government.

Proceed by taxation and equitable reduction of Government costs to establish a sound relation between revenues and appropriations. I think we all realize the practical difficulties that inhere in this suggestion, but I also think there is no substantial disagreement as to the purpose to be accomplished. Inevitably and unavoidably differences have arisen over the method and means by which this end is to be obtained, and in working out this first great problem of satisfying the public that the United States purposes to maintain a proper proportion between its revenues and its expenditures we are called upon to exercise great patience and to use the utmost diligence.

If the Budget be balanced so that there is renewed confidence in the Government's monetary and fiscal policy, there will be little difficulty in reviving and expanding the actual buying power of consumers. Increased buying power may be brought about by supplying the immediate and pressing necessities of the unemployed and by a sound and well-considered program for the construction of self-liquidating projects.

It is my humble suggestion that before the present session ends there should be made available through the sale of Government bonds at least \$300,000,000 to be advanced to the States and municipalities in relief of suffering caused by unemployment. To be somewhat specific as to the measure, the bill before the Senate introduced by the Senator from New York [Mr. WAGNER], reported from the Committee on Manufactures, which has exhausted much effort in studying the subject, may be taken as a basis for this feature of the suggested program.

It will be recalled that earlier in the session a bill was presented to the Senate looking to the appropriation of \$375,000,000 for the purposes now being discussed, and that all legislation on the subject failed because of a difference in opinion between those who were proposing legislation, one group suggesting and urging that the appropriation should be made without provision for return to the Treasury, the other group suggesting and insisting that it would be well and advisable to use the fund through local agencies and to provide for reimbursement of the Federal Treasury.

Whatever may be the conclusion of the Congress as to the right method to pursue, I believe the time has arrived when action should be taken by the Federal Government. We have all hoped, and some of us have believed, that conditions would improve and that the improvement would be reflected in a diminution of unemployment in this Nation. The information that reaches me is that notwithstanding the very effective efforts that have been made to stimulate employment by certain notable organizations unemployment is increasing rather than diminishing. We speak of adjourning the Congress, if possible, on the 10th of June. It is with the thought that some action on this subject should be taken before the Congress adjourns that I am prompted to make the remarks now being submitted.

The Government, in my opinion, should receive assurance of repayment such as may be obtainable, including State and municipal securities where they are available, and deductions may be made, as proposed in the Wagner bill, when necessary, from future allotments of Federal aid. I know that this phase of the question may provoke difference of

opinion, but it seems to me that at this stage it is sound and wise to make the advances to the State and municipal authorities with such arrangements as may be fairly obtained for reimbursement.

Reference was made a moment ago to the effective efforts of certain organizations to stimulate employment. One can not in that connection fail to think of the employment committee of the American Legion. Its goal has been to procure work for a million of the unemployed, and so ably and effectively has the task been carried on that the entire project is well on its way toward accomplishment. While I have no authority to speak for the American Legion or its employment committee I am informed, as other Senators are informed, that a study is being made of this subject by a committee of the Legion and by the American Federation of Labor, and that ample self-liquidating projects can be found or initiated to provide employment for a large number of people and to consume such a fund as at this time it may seem wise to provide.

I do not feel under present and prospective conditions that the mere carrying forward of a construction program will meet the full demands of the situation. There are many thousands of citizens who are willing to work, anxious to work, and who are unable to procure employment; and, if the Congress adjourns without taking any action looking to provision for their necessities, before we reconvene next December there may result suffering, which can not now be anticipated in detail, because of the threatened breakdown in local agencies or rather the exhaustion of their resources and funds.

With assurances that the Budget will be balanced and with emergency assistance in sight for those in distress, a well-considered construction program may be promptly authorized and entered upon by the issuance of, say, \$2,000,000,000 of tax-exempt bonds, to be spent upon self-liquidating or profit-making enterprises, such as tunnels, bridges, and the destruction of slum districts in the great industrial centers. In instances where their credit resources have not been too far depleted and where authority exists or can be promptly obtained the States and the cities desiring to carry forward construction programs which have been suspended because of lack of credit should deliver to the Government their own tax-exempt obligations, and the revenues from the undertaking should be impounded to pay, first, the running expenses, and, second, interest and sinking fund to the Government.

It is estimated that there is enough work of a municipal nature which has been deferred because of lack of credit to employ more than a million men. Simultaneously with the issuance of these bonds a special tax may be necessary to pay the interest and amortization on the bonds and thus relieve the balanced Budget of any burden involved. I know this feature of the suggestion implies difficulties, but it is useless to balance the Budget by one act, by the tax bill, if in the making of additional appropriations we upset that balance. So the suggestion is for the formulation of a self-liquidating construction program, with the understanding that the interest and the sinking fund necessary will be provided.

The benefits to be derived from this method of increasing the buying power are not limited to the sums actually spent for employment, but extend to the revival of business and the sale of material, supplies, and other commodities. In addition, improved living conditions may be anticipated by the use of a portion of the funds in improvements in slum and tenement districts, where the rent of structures now in use could be lowered from the present charges, according to information supplied me, and yet be sufficient to pay interest and sinking fund upon the venture.

The 30-hour week, the application of the equalization fee to wheat as a test as to whether it is practicable to make tariff rates effective as to agricultural products, and modification of the Reconstruction Finance Corporation act so as to permit loans to farm-loan associations, are recommended as worthy subjects of legislation. It is especially emphasized that the Budget be balanced, that emergency relief legisla-

tion be enacted, and that a self-liquidating construction program be authorized and carried forward.

I thank the Senate for its patient attention to my remarks.

Mr. PITTMAN. Mr. President, I should like to have published in the RECORD, following the speech of the Senator from Arkansas, a memorandum prepared by a committee of the American Legion and the American Federation of Labor setting out definitely the plan that has been discussed, with a number of illustrations of the self-liquidating projects that might be considered.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

#### MEMORANDUM

There are to-day between eight and nine million unemployed, many of whom are reaching the starvation point—business is still receding with unemployment increasing—reports from many sections of the country indicate a growing and threatening social unrest.

This condition should be immediately corrected in some constructive manner for the general good.

#### METHOD

Creation of large works program through Government credit.

#### PURPOSE

Employment of between 2,500,000 and 3,500,000 workers with resultant increases in general business throughout the country.

#### CONDITIONS

1. Must prove their economic desirability.
2. Must prove their ability to become self-liquidating within a reasonable period by the establishment of either tolls or other amortizing charges.
3. Must produce the greatest number of labor hours per dollar expended.
4. Each State in the Union to be given an opportunity to participate, thereby giving the unemployed in each State a fair share of the work and eliminating the wasteful effort of the unemployed moving from one State to another.
5. Establishment of a board similar to the War Industry Board to pass on, supervise, and carry out the above purposes.

Examples of projects which have been engineered and are ready to go forward promptly are:

Bridge over the Mississippi River at New Orleans, costing \$14,500,000, to be constructed jointly by the city of New Orleans and State of Louisiana. We understand the Southern Pacific Railroad has agreed to pay a rental for the use of the bridge sufficient to cover interest and sinking fund. Approximately 60,000 tons of steel involved.

Delaware River Joint Commission has authorized \$10,000,000 to build high-speed subway system to connect Philadelphia and Camden. To be repaid by tolls.

California toll-bridge authority, created by California Legislature, power to build bridge from San Francisco to Oakland. Cost approximately \$75,000,000. To be repaid by tolls.

Portland-Tualatin tunnel through the hills west of Portland, Oreg., authorized 1930. To be repaid by tolls.

Bridge St. Lawrence River. Engineering study completed. Cost approximately \$4,000,000. To be repaid by tolls.

Thirty-eighth Street tunnel under Hudson River, costing approximately \$90,000,000, authorized to be constructed by Port of New York Authority. Understand engineering work completed. To be repaid by tolls.

Triborough Bridge across East River costing \$30,000,000. Work already started, but stopped account lack of funds. To be repaid by tolls.

Hudson-Catskill Bridge costing \$3,500,000. Already authorized State of New York. Engineering work practically completed. To be repaid by tolls.

Hydroelectric power development Columbia River. Much of the necessary engineering work done. Probable cost upward \$100,000,000. To be repaid by consumer charges.

Similar toll bridges, with engineering work done, projected in Chicago, St. Louis, Detroit, and Boston. To be repaid by tolls.

Large amounts of waterworks for communities of size projected and engineered. Estimated amount between \$300,000,000 and \$500,000,000. To be repaid by tolls.

#### LOANS TO STATES AND MUNICIPALITIES

Mr. NORBECK obtained the floor.

Mr. DAVIS. Mr. President—

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from Pennsylvania?

Mr. NORBECK. I do.

Mr. DAVIS. Out of order, I ask unanimous consent to introduce a bill and have it referred to the Committee on Banking and Currency; and I ask that the clerk read it, if possible.

The VICE PRESIDENT. Does the Senator yield for the reading of the bill?

Mr. NORBECK. I do not like to do that now. I have no objection to the introduction of bills. I have no objection to anything that will take just a moment or two. Will not the Senator state the substance of the bill briefly?

Mr. DAVIS. It will take only a second to read it.

Mr. NORBECK. Very well. I will take the Senator's word for it.

The VICE PRESIDENT. Without objection, the bill will be read.

The bill (S. 4632) to authorize the Reconstruction Finance Corporation to make loans to States and municipalities was read the first time at length as follows:

*Be it enacted, etc.,* That section 5 of the Reconstruction Finance Corporation act is amended by adding at the end thereof the following:

"Within the foregoing limitations of this section the corporation may also make loans to States or municipalities or political subdivisions thereof to aid in temporary financing for unemployment relief, and when, in the opinion of the board of directors of the corporation, any such States, municipality, or political subdivision is unable to obtain funds upon reasonable terms through banking channels or from the general public, and the character and value of the security offered are such as to furnish adequate assurance of ability to repay within the time fixed therefor and to meet other obligations in connection therewith: *Provided, That the aggregate sums advanced under this paragraph shall not exceed \$500,000,000.*"

Mr. GORE addressed the Chair.

The VICE PRESIDENT. Does the Senator from South Dakota yield?

Mr. NORBECK. I yield for anything brief. I yield to the Senator from Oklahoma.

Mr. GORE. I merely wanted to object to the second reading of that bill to-day.

The VICE PRESIDENT. Objection is entered.

#### EFFECTS OF UNEMPLOYMENT

Mr. COPELAND. Mr. President—

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from New York?

Mr. NORBECK. For what purpose?

Mr. COPELAND. Mr. President, if the Senator from South Dakota wishes to discuss the pending bill, I shall not interfere with him. I did wish to comment on the statement made by the Senator from Arkansas [Mr. ROBINSON]; but if the Senator wishes to go ahead with his prepared address, of course, I shall not interfere.

Mr. NORBECK. If the Senator wants to speak for, say, two or three minutes, it will be all right. Otherwise I prefer to proceed.

Mr. COPELAND. I thank the Senator. I should like to speak for a minute.

I find in my mail this morning two letters that bear so directly on what has been said by the Senator from Arkansas that I should like to quote a paragraph. I am much concerned, and think the matter is more important than anything else we can possibly consider at this moment.

A teacher writes me that the other morning she found the children of her school unable to grasp the lesson because they were too hungry for their minds to function. One of the children answered her question as to home conditions by saying, "To-day is not my turn to eat."

When we have conditions like that in the homes of America it is time that the Congress of the United States gave some attention to them.

Here is a letter in the same mail from a Methodist minister in the northern part of my State, who says:

This entire north country is seething with communism. People are hungry and desperate. My son has been on one-third time, at small pay, for a year. His children cry for food. My son-in-law has lost his position. I am helping to feed his family from my small, poorly paid income. Expect revolution. I marvel at the patience of our American serfs. We expect no sympathy from those who have three square meals a day.

Mr. President, when reputable persons, persons of high character, write me, as this teacher and this preacher have done, it is time that we gave thought to the hungry people in America. I am glad that the Senator from Arkansas has voiced this sentiment, because, in my judgment, we can

choose between feeding the people or having some great social and political disaster, which we wish to avoid, happen to the country.

I thank the Senator from South Dakota for permitting me to speak. I wanted it to appear in the RECORD immediately following what the Senator from Arkansas has said; and if time permitted I should wish to enlarge upon the subject.

Mr. COSTIGAN. Mr. President—

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from Colorado?

Mr. NORBECK. For what purpose?

Mr. COSTIGAN. Will the Senator yield for as brief a statement as that of the Senator from New York on the address of the Senator from Arkansas?

Mr. NORBECK. I beg the Senator's pardon, but I do not want to open up a general debate here. I am trying to make a few remarks and get through with them.

Mr. COSTIGAN. I shall reserve my remarks until later.

Several Senators addressed the Chair.

Mr. NORBECK. I yield for the transaction of routine business.

#### PETITIONS AND MEMORIALS

Mr. ASHURST presented a telegram in the nature of a memorial from R. R. Knotts, commander of Yuma (Ariz.) Post, remonstrating against cuts in appropriations for the Army, Navy, and citizens' military training camps, and also any changes in the veterans' program, which was referred to the Committee on Appropriations.

He also presented a telegram in the nature of a memorial from Grace M. Alexander, State chairman of national defense, Daughters of the American Revolution, Phoenix, Ariz., remonstrating against further cuts in appropriations for the Navy, which was referred to the Committee on Appropriations.

He also presented telegrams in the nature of memorials from the Mesa (Ariz.) District Chamber of Commerce and the Solano Theatre, by C. J. Stanley, of Fairfield, Calif., remonstrating against the imposition of taxes on admissions to amusements, which were ordered to lie on the table.

Mr. TYDINGS presented a memorial of sundry citizens of Frederick County, Md., and vicinity, remonstrating against inclusion in the pending revenue bill of a tax of 2 cents on bank checks, which was ordered to lie on the table.

He also presented a resolution adopted by Maryland Guard Memorial Post, No. 35, American Legion, of Baltimore, Md., favoring the reduction or elimination of the interest rates on adjusted-service compensation certificates of World War veterans, which was referred to the Committee on Finance.

Mr. BARBOUR presented a communication from members of Unity Church (Unitarian), of Montclair, N. J., indorsing the stand of the American delegation to the Geneva Disarmament Conference for the abolition of heavy mobile guns, tanks, and poison gases, and favoring the marked and progressive reduction of international armaments for the purpose of implementing the Briand-Kellogg pact, which was referred to the Committee on Foreign Relations.

He also presented resolutions adopted by the Lions Club of Cranford, N. J., favoring the prompt passage of legislation to balance the Budget and for retrenchment in governmental expenditures, which were referred to the Committee on Appropriations.

He also presented resolutions adopted by Joyce Kilmer Post, No. 25, American Legion, of Middlesex County, N. J., opposing reduction in the amount of disabled veterans' compensation and also the limitation of medical treatment to World War veterans, which were referred to the Committee on Appropriations.

He also presented a memorial of sundry citizens of Bergen County, N. J., remonstrating against a tax of 10 per cent on theater admissions selling at over 10 cents, and suggesting that if such a tax be included in the pending revenue bill it be imposed only on tickets selling in excess of 46 cents, which was ordered to lie on the table.

He also presented the memorial of Jerseyville Grange, No. 213, Patrons of Husbandry, of Jerseyville, N. J., remon-

strating against the imposition of taxes on the automobile industry, which was ordered to lie on the table.

He also presented a petition of sundry citizens of the State of New Jersey engaged in the rendering industry, praying for the imposition of an import tax of 2 cents per pound on oils and one-half a cent per pound on oil-cake meals and oil cakes, which was ordered to lie on the table.

#### GOVERNMENTAL POLICIES

Mr. BARBOUR presented resolutions adopted by the first convention of the Women's State Republican Club of New Jersey (Inc.), which were referred to the Committee on Appropriations and ordered to be printed in the Record, as follows:

Resolutions adopted April 30, 1932, at Asbury Park, at the First Convention of the Women's State Republican Club of New Jersey (Inc.)

Whereas we believe that our country can be best served at the present time by carrying out the plans outlined by the Republican administration; and

Whereas we believe the delay in Congress is dangerous to the stability of the country and its economic recovery: Therefore be it

*Resolved by the Women's State Republican Club of New Jersey in convention assembled,* That we urge Congress to support and uphold the policies of President Hoover in his efforts to balance the Budget and reduce the cost of government; and we further urge Congress to defeat the present bonus bill and to pass the general sales tax.

Whereas we believe the Republican Party in the State and Nation should be more definite in the enunciation of its principles: Therefore be it

*Resolved by the Women's State Republican Club of New Jersey in convention assembled,* That we urge that the platform to be adopted in Chicago at the Republican National Convention contain definite statements of policy on the questions of unemployment, taxation, lawlessness, and prohibition.

Mrs. G. L. A. THOMSON,  
Mrs. LEWIS S. THOMPSON,  
Mrs. E. GARFIELD GIFFORD,  
Mrs. E. C. STOUT,  
Mrs. CLARENCE B. MITCHELL,  
Miss EMMA E. DILLON, *Chairman,*  
*Resolutions Committee.*

#### TAX ON IMPORTED LUMBER

Mr. FLETCHER presented a telegram embodying a resolution unanimously adopted at a meeting of southern-pine manufacturers, New Orleans, La., which was referred to the Committee on Finance and ordered to be printed in the Record, as follows:

NEW ORLEANS, LA., May 10, 1932.

Senator DUNCAN U. FLETCHER,

*Senate Office Building, Washington, D. C.:*

At meeting to-day of southern-pine manufacturers from every Southern State following resolution unanimously adopted:

"Whereas the lumber industry of the United States is now operating at approximately 20 per cent of capacity, and with the many communities in the South dependent entirely upon the sawmills thousands of families are undergoing extreme hardship and privation because of the forced curtailment of lumber production; and

"Whereas Canadian trade agreements with Australia, South Africa, England, Ireland, and Scotland, preferential duties of other countries, and the general depreciation of foreign currency have practically eliminated the exportation of lumber by the United States to countries which heretofore have consumed tremendous quantities; and

"Whereas with only the domestic markets remaining and these being on an extremely subnormal basis of consumption, the lumber manufacturers are faced with the dumpage of surpluses by Canadian producers, who are protected by higher prices in British-controlled territories, and with the importations of lumber produced in Russia from confiscated timber with convict or forced labor; and

"Whereas the Senate Finance Committee, recognizing the principle of protecting the natural resources of this country and the labor engaged in their conversion, has incorporated in the pending revenue bill import taxes on certain commodities, including lumber: Therefore, be it

*Resolved,* That we, manufacturers of southern-pine lumber, representing all of the Southern States, in meeting assembled, urge upon our Congressmen and Senators the vital importance to their constituents and to the country at large of this tax on lumber imports; and be it further

*Resolved,* That copies of this resolution be mailed to Congressmen and Senators of the United States from all of the States represented at this meeting with the recommendation that party principles be brushed aside during the existing emergency and that they give their full support to this measure, which will not only serve to provide additional Federal revenue but will relieve a

basic industry of uneconomic competition and more quickly provide employment for the hundreds of thousands of men and women whose only means of livelihood is provided by the lumber industry."

May we urge your active interest and support?

M. L. FLEISHEL, *Shamrock, Fla.*  
B. E. KENNEY, *Caryville, Fla.*  
J. S. FOLEY, *Foley, Fla.*

#### REMONETIZATION OF SILVER

Mr. DILL. Mr. President, I ask unanimous consent to present certain petitions in support of the use of silver in the monetary system of the world. These petitions are signed by a large number of citizens of Tacoma, Wash., and surrounding cities. They are in support of proposals by Mr. Arthur G. Prichard, of Tacoma, Wash. I should like to have these petitions referred to the Committee on Banking and Currency.

The PRESIDING OFFICER (Mr. CAREY in the chair). Without objection, the petitions will be received and referred to the Committee on Banking and Currency.

#### RELIEF OF AGRICULTURE—DEEP WATERWAY

Mr. SCHALL. Mr. President, I ask unanimous consent to insert in the Record and refer to the Committee on Agriculture and Forestry a resolution adopted at the Republican State Convention of Minnesota held on the 30th day of April, 1932.

The VICE PRESIDENT. Without objection, it is so ordered.

The resolution is as follows:

FROM REPORT OF RESOLUTIONS COMMITTEE ADOPTED AT REPUBLICAN STATE CONVENTION OF APRIL 30, 1932, ST. PAUL, MINN.

Agriculture is our basic industry. The prosperity of the whole State and Nation depends on the prosperity of agriculture.

We reaffirm the principles stated in our national Republican platforms that our National Government enact practical and efficient measures which will place the agricultural interests of the United States on a basis of economic equality with other industries to assure its greater success and prosperity, and we instruct our delegates to the National Republican Convention to work to secure the indorsement of policies that will insure adequate protection of farm products from invasion by foreign and insular imports, the orderly and economic marketing of farm products, and the handling of our agricultural surplus in such manner as to protect our farmers from the depressed markets of the world.

One essential to the securing of better prices for farm commodities is economical transportation. We favor development of our inland waterways and the early development of a deep waterway to the sea by way of the Great Lakes and the St. Lawrence River.

Amendment: Furthermore, we urge our representatives in Congress to do all in their power to hasten a sufficiently large appropriation by Congress toward paying our part of the cost of said seaway, so that construction of this great improvement of such vital importance to these many States may be completed at the earliest date possible. It is requested that copies of these resolutions be forwarded by our secretary to each Senator and Member of Congress.

#### THE LATE SENATOR HARRIS, OF GEORGIA

Mr. GEORGE. Mr. President, I ask unanimous consent to have inserted in the Record a resolution adopted by the members of the Georgia Cotton Growers' Cooperative Association at their recent annual convention in appreciation of the service rendered by my late colleague, William J. Harris, to the agricultural interests of the State of Georgia.

There being no objection, the resolution was ordered to be printed in the Record, as follows:

Whereas all Georgia has suffered an irreparable loss in the passing of Senator William J. Harris, who has long been identified with the affairs of the State of Georgia and who has performed with distinction a valuable and noble public service for the people of this State; and

Whereas we, as farmers, having long since learned to appreciate the value and sincerity of his public service for the farmers of Georgia and for all agricultural movements dedicated to the improvement of the financial and living condition of the producers; and

Whereas his death will cause not only to the farmers in our State but to all classes of our citizens the deepest sorrow in the hearts of his fellow Georgians, whom he loved and served faithfully: Therefore be it

*Resolved by the members of the Georgia Cotton Growers' Cooperative Association in annual convention assembled on this the 19th day of April, 1932—*

1. That we wish to express our appreciation for the long and untiring service performed by him at all times for the best interest of all Georgians, and particularly for the farmers of his State.

2. That we shall always remember him as one who was fair to all, courageous in the support of what he thought was right, and at all times a friend and servant of his people.

3. That we wish to express to the family of Senator Harris our deepest sympathy in the loss of their loved one and our able, loyal, and devoted friend.

4. And be it further resolved, That a copy of this resolution be entered upon the minutes of this association and that a copy be furnished to the members of the family of Senator Harris.

#### CERTIFICATE OF SECRETARY

GEORGIA,

Fulton County:

I, Andrew J. Fleming, secretary of Georgia Cotton Growers' Cooperative Association, do hereby certify that the above and foregoing is a true and correct copy of a resolution passed by a unanimous vote of the members of said association in annual convention duly assembled on the 19th day of April, 1932.

Dated this April 30, 1932.

[SEAL.]

ANDREW J. FLEMING, Secretary.

#### REPORTS OF COMMITTEES

Mr. BRATTON, from the Committee on the Judiciary, to which was referred the bill (S. 2447) to provide for references in law cases by consent of the parties and declaring the effect of such submission, reported it without amendment and submitted a report (No. 675) thereon.

Mr. KING, from the Committee on Immigration, to which was recommitted the bill (S. 7) to provide for the deportation of certain alien seamen, and for other purposes, reported it with amendments and submitted a report (No. 677) thereon.

Mr. TOWNSEND, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which were referred the following resolutions, reported them each with an amendment:

S. Res. 92. Resolution authorizing the Joint Committee on Printing to expend not to exceed \$15,000 for the classification, arranging, compiling, and indexing of the documentary evidence submitted to the Senate by the National Commission for Law Observance and Enforcement; and

S. Res. 193. Resolution authorizing a further expenditure by the Committee on Indian Affairs for a general survey of Indian conditions.

#### RELIEF OF PERSONS HAVING INTERESTS IN BALTIMORE AND HARFORD COUNTIES, MD.

Mr. HOWELL, from the Committee on Claims, reported a resolution (S. Res. 212), which was ordered to be placed on the calendar, as follows:

*Resolved*, That the bill (S. 4415) for the relief of certain persons formerly having interests in Baltimore and Harford Counties, Md., now pending in the Senate, together with all the accompanying papers, be, and the same is hereby, referred to the Court of Claims, in pursuance of the provisions of an act entitled "An act to codify, revise, and amend the laws relating to the judiciary," approved March 3, 1911, and the said court shall proceed with the same in accordance with the provisions of such act and report to the Senate in accordance therewith.

#### EXECUTIVE REPORT OF THE FOREIGN RELATIONS COMMITTEE

As in executive session,

Mr. BORAH, from the Committee on Foreign Relations, reported favorably the nomination of Orsen N. Nielsen, of Wisconsin, now a Foreign Service officer of class 5 and a consul, to be also a secretary in the Diplomatic Service of the United States of America, which was placed on the Executive Calendar.

#### BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SMOOT:

A bill (S. 4629) authorizing the Director of the Census to prepare and furnish lists of the names and addresses of persons shown by the Fifteenth Decennial Census to be blind; to the Committee on Commerce.

A bill (S. 4630) to provide for additional water supply for the Utah National Guard training camp on the Jordan Narrows Military Reservation; to the Committee on Military Affairs.

By Mr. COHEN:

A bill (S. 4631) for the relief of Samuel Childers; to the Committee on Claims.

(Mr. DAVIS introduced Senate bill No. 4632, which appears under a separate heading.)

By Mr. BARKLEY:

A bill (S. 4633) for the relief of Forest Mobley; to the Committee on Naval Affairs.

A bill (S. 4634) granting an increase of pension to Jesse R. Rector; to the Committee on Pensions.

A bill (S. 4635) authorizing the Commonwealth of Kentucky, by and through the State Highway Commission of Kentucky, or the successors of said commission, to construct, maintain, and operate a toll bridge across the Ohio River at or near Owensboro, and permitting the Commonwealth of Kentucky to act jointly with the State of Indiana in the construction, maintenance, and operation of said bridge; and

A bill (S. 4636) authorizing the Commonwealth of Kentucky, by and through the State Highway Commission of Kentucky, or the successors of said commission, to construct, maintain, and operate a toll bridge across the Ohio River at or near Cairo, Ill., and permitting the Commonwealth of Kentucky to act jointly with the State of Illinois in the construction, maintenance, and operation of said bridge; to the Committee on Commerce.

By Mr. SHORTRIDGE:

A bill (S. 4637) granting a pension to David P. McNally; to the Committee on Pensions.

By Mr. PATTERSON:

A bill (S. 4638) granting a pension to Joseph F. Dorgan (with accompanying papers); to the Committee on Pensions.

By Mr. FESS:

A bill (S. 4639) granting an increase of pension to Caroline Thompson (with accompanying papers); to the Committee on Pensions.

#### ALABAMA SENATORIAL CONTEST—EXPENSES

Mr. HASTINGS submitted a resolution (S. Res. 213), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That the Committee on Privileges and Elections, authorized by resolution of February 28, 1931, to hear and determine the pending contest between John H. Bankhead and J. Thomas Heflin involving the right to membership in the United States Senate as a Senator from the State of Alabama, hereby is authorized to expend from the contingent fund of the Senate \$35,000 in addition to the amount heretofore authorized for such purpose.

#### INCREASE OF BANKING FACILITIES

The Senate resumed the consideration of the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. NORBECK. Mr. President, I am sorry to differ from the distinguished Senator from Virginia [Mr. GLASS] on even a single section of the bill on which he and the committee have worked so faithfully for 23 months.

It will be two years in June since the Senator from Virginia introduced this bill. The hearings have been held before a subcommittee, of which I have been a member. I have been well acquainted with the progress made and the changes in the bill; but I may add that even before June two years ago the Senator from Utah [Mr. KING] had this matter before the committee in somewhat different form. No action was taken at that time for various reasons, mainly for lack of time; but later the committee decided to go ahead under the Glass plan. A great many obstacles have been encountered. Many changes have been made.

#### AN INDICTMENT

I was more interested in the Senator's criticism of the practices of Federal reserve banks yesterday than in anything else I have heard in this Chamber. It was a frank and fair statement by a man whose courage and sincerity in this matter have never been questioned, by the greatest student of banking in this Chamber, by the author of the Federal reserve act. His indictment is severe. Summed up briefly, it is that the system has been controlled from New York,

notwithstanding the fact that a Government board, the Federal Reserve Board, centered in Washington, with supervisory powers, were intended to control the whole system. The governor of a branch bank of New York—Federal reserve bank—set himself up as the head of the whole system, took no orders from the Washington board; in fact, defied them, and was recognized in other countries, especially in England, as the head of the "central" bank of the United States. The governors of the different branches held meetings and decided on policies.

The Federal Reserve Board were ignored and insulted to the point of exasperation until some mild measures were actually taken by the Federal Reserve Board to prove they were still in existence. They were willing to be ignored in most things, but they were not willing to be ignored in all things. Just think of it! A branch bank in New York has assumed to speak for the whole system. That is the story that he told us yesterday—a fact too well known, too sadly known—and I admire the courage of the author of the system in bringing those facts before the Senate and the country.

The Senator from Virginia spoke about the use of the system for speculative purposes. He said that instead of retarding gambling and speculation the Federal reserve bank has become a fountain for that kind of operations. This bill is a desperate effort of the author so to change the act, so to reform it, as more nearly to serve the purpose for which it was passed.

The Senator told us more than that. He said that the Federal Reserve Bank of the United States has attempted to stabilize Europe instead of the United States of America. Those are severe indictments, Mr. President, of the banking system that we cherish so much, that we believe to be an improvement on previous systems that we have had. The Senator tells us frankly that it has not operated for the benefit of the United States. The remarks of the Senator are a severe indictment of the shortcomings of the system, or, rather, the abuses of it by selfish interests and by officials in authority. But, of course, the Senator is right.

#### MY CRITICISM

I had in mind making some criticisms. Mine may be more mild than those of the Senator from Virginia, but they are not included in his. I have reference to what seem to be fundamental failures in the system—the failure of a beautiful theory to work as expected.

Well do I remember the hope and the promise of the Federal reserve act. It was going to provide a currency automatically elastic. It was going to end depressions. That meant it was going to prevent wild speculations and resultant booms. We were going to have a system with a governor serving on same. It would regulate itself. When the demands of business were great the currency would expand proportionately. When the demands slowed down there would be an automatic and proper contraction of the currency, for much of the currency was based upon borrowings from the Federal reserve system. The millennium was near at hand.

#### THE DIFFERENCE BETWEEN THEORY AND PRACTICE

Mr. President, we are wiser now. We know that speculation and booms were possible; I believe they were actually aggravated. The large banks had the Federal reserve system to draw on and it created a recklessness with them heretofore unknown, and depressions followed.

It seems now, as we look back over it, that the main effect of the Federal reserve system was to give an extra swing to both the high and the low periods. The booms went higher on account of the Federal reserve bank, and I am wondering if the depression did not actually get worse. Certainly the banks are not making any use of the system for the purpose of stimulating business; it fails to work. But Senator GLASS has specific remedies for the weaknesses to which he points. I will admit I have no remedy for the weakness to which I am pointing. I am not suggesting a remedy; I am asking for an explanation. Possibly it lies in the fact that conditions are different than they used to be and that old rules do not govern.

#### ONE OLD RULE

For a long time economists have said that "other things being equal" prices correspond to the amount of money in circulation. Increase the circulation, you raise the price; decrease it, and the prices fall. But the old rule started with the words "other things being equal," and in this complex era it does seem that other things are not always equal. Perhaps that explains it.

For instance, Mr. President, we have found that business activities through the inflation period do not depend so much on currency as on bank credit. Bank checks took the place of currency. Their stimulating effect on prices seems to have been enormous. The discontinuance of their use seems to have had a disastrous effect on prices and on business. I do not know how to start these wheels in motion. I am wondering whether the Goldborough bill, that has passed the House and will in the near future be taken up by the Senate Committee on Banking and Currency, will have an important bearing on this question. The purpose of the Goldborough bill is to regulate prices by further inflation or deflation of currency.

But I am not speaking to condemn the Federal reserve system. It is our system. It is the best system we have had. We are just making slow progress in our plans. We are just paying for experience. I believe the Federal reserve system was a step forward. But if the American people had known the price they were to pay for it they would have shied off from it.

However, there are compensatory features in it. For instance, it probably took us over the war period without a breakdown in our money system, when the old system would not have done that. So we have to put down a big credit mark there. In other words, the Federal reserve system and the fundamental theory on which it was based failed to do that which was promised for it, but it did something else which justified its existence. That seems to be the way when we enact new legislation; we are unable to foresee what it will lead to.

#### GLASS BILL

I did not intend to speak on the Federal reserve system; I did not intend to speak critically of the Glass bill. I started out by saying that I thought the bill was an honest effort to remedy the evils which have developed, the evils which could not be foreseen. The author feels it is a good bill, and I want to be helpful and not be in the way. I differ with him in one matter. This bill provides for the extension of branch banking. I believe it to be a poor system—a dangerous system. It is an enlargement of centralized banking—a centralization of the control of the credit of the country as I see it—and I am fearful of it. That is why I want to speak my word in protest. That is why I have offered an amendment to strike out section 19 of the bill, which permits an enlargement of the branch-banking privileges.

#### BRANCH BANKING

I do that mainly because I believe in the American system of banking. We have a dual system. We have two systems. We have one controlled by the States, we have another one controlled by the Federal Government. The two have grown up side by side. I think they have rendered splendid service, and I think we should be ever jealous of anything that will tend to destroy one system for the benefit of the other.

I believe the State banking system is perhaps of even greater importance than the Federal system. Certainly it is the larger one and does the most business. Therefore I assume it enjoys greater confidence of depositors, and I do not want to be a party to any step which I think will tend to destroy it.

I say frankly that there are many plans under way here now to bring about a unified system of banking, a single system of banking, and I am afraid that the single system will soon fall into very few hands, fall into central control, and therefore I want to be among those who protest against that plan.

We have the dual system of banking. That is classification No. 1, State banks and Federal banks. But we can classify again. We have another division which is equally important. We have the unit bank, the American kind of a bank, the bank owned and managed by the home folks of a community, the bank which the law contemplated should be the bank. Federal laws and State laws provided for unit banks. The laws provided that the stockholders should be natural persons, not artificial persons, not corporations, not holding companies, not trust companies, not some other imaginary thing, but natural persons.

Mr. SHIPSTEAD. Not dummies.

Mr. NORBECK. Not dummies, but real people.

#### CHAIN BANKS

Mr. President, the first violation of the spirit of the law was perhaps not a violation of the letter of the law, for the owners of one bank would reach out to the next town and get control of a second bank and a third bank, and then we had what was called the chain system in banking. The system has not been good.

No one recommends the chain system, neither bankers nor political economists—not even an official of the Treasury. It is probably the weakest system we have in this country, especially when the chain includes any large number of banks.

#### GROUP BANKS (ERRONEOUSLY CALLED CHAIN BANKS)

In recent years there has been developed another system of banking, which is also an evasion of the law, and is now generally recognized under the name of "group banking." A holding company is formed and control of banks is secured through the purchase of shares of stock in same, which are then held by the holding company. The owners of the holding company, therefore, control the banks. The holding company is an intermediary, or an affiliate. It is generally the agent or instrument of some large bank seeking to build up a branch-banking system, which is not permitted by law. This fact certainly must have been known to important bankers who employed the best legal counsel. Only recently did I learn that the Attorney General of the United States some 20 years ago held to the view that the stockholders of national banks could only be natural persons, not holding companies or other artificial persons.

Under this system, the old bank charters were left in existence, the old board of directors was retained. It had the appearance of local control, even though members of the board owned only one share each. But, of course, the local board was without control, except by provision from the holding company, or those who controlled the holding company, for they selected and elected the local board. But the local board was at least composed of people of the community, acquainted with its needs, knowing the abilities and responsibilities of borrowers, being able to be helpful and pass judgment in matters that came up. It was not entirely deprived of home rule. There was at least the right of petition, the right to speak up. There was at least somebody in the town where the bank was located who was interested in the welfare of the bank and the welfare of the community.

#### BRANCH BANKING

That is the third point. We are asked to go on to a fourth one; that is a general branch-banking system. Under this system there will be only one board, the board of the central bank. The branch bank is more likely to become a branch office. Its personnel will be reduced. More of the work will be done at the central office. There would be hundreds of branches for each bank. Loans would have to be made according to rules; they would have to be handled with great speed. They would be handled by a man who lives far away and is often unfamiliar with the situation in a community and strange to the character and outlook of the borrower. The loan would be reduced largely to mathematics and bank rules.

Mr. President, in Canada I heard of loans being passed on by the chief officer at the rate of 5 or 10 a minute. What chance would a prairie farmer have under such a system in

getting consideration of his case? I feel that branch banking will arrest the growth and development of the country.

The unit bank is, as I said, an American bank. It came into its full flower and strength during a century of growth in this country; and what country has had any growth like ours? In every community was a bank that had the deposits of the community, the savings of the community, in charge of the leading men of the community, men interested in the progress of every person in the community.

Loans were not always made according to rules. They were not standardized. Sometimes they were made upon the ability of a borrower to make headway. If a man was entitled to credit and had the confidence of the community, had good character and economical habits, and wanted to get \$50 to buy a cow, he could get the \$50 to buy the cow. Under the branch-banking system such a loan, if made at all, would be made upon the showing of adequate security. Such an applicant will be told that if he will mortgage three cows they will give him enough to buy one cow. He has to say, "I have not the other two cows," and that would end it. This is what they call sound banking in the big centers—it is sound on paper.

Mr. President, the Federal banking laws and the laws of the States provide that the stockholders of the banks shall be responsible for twice the value of their stock. This is for the protection of the depositors in case of bank failures. The full amount of the double liability is not ordinarily recovered, but the larger amount of it is. It is a real protection for the depositors. It is a responsibility on the bank. It is a warning to its officers. It has a healthy effect; it leads to good banking. Numerous groups have now been organized throughout the country that issue holding-company stock in lieu of bank stock. The holding-company stock does not carry the double liability. The assets of the holding company are made up very largely of bank stock. It has been argued that in case of a single bank failure, or a few bank failures, there would be a good claim against the holding company. But no one will maintain that the holding company is responsible for any substantial amount of double-liability claims. I do not mean that all the group banks did that; too many of them did. A few group banks tried to maintain the rule of double-liability provision on their holding-company stocks.

Where does the branch system come from? It is a foreign system. It has grown up in small countries, countries small in area, where the central bank would have a branch a few miles out, where there was actual contact anyway, where they did not have any conditions such as there are here. A branch-banking system has served some countries well, but it has only served countries with small areas well. It fit those countries. But how anxious we are to find something foreign to transplant onto American soil. Is this going to be the next importation?

We have quite a little start in it. The first thing we knew the big bank people came to Congress and said, "New York is getting to be a big city. We ought to have some branch banks here in the city." Congress said, "Yes." Later they came and said, "This should be extended to the metropolitan areas." We agreed to that. It was rather an indefinite thing, I think, but we agreed to it, although some said on the floor, "This is just an entering wedge. The danger will come later."

Mr. WHEELER. Mr. President—

The PRESIDING OFFICER (Mr. GOLDSBOROUGH in the chair). Does the Senator from South Dakota yield to the Senator from Montana?

Mr. NORBECK. I yield.

Mr. WHEELER. I want to call attention to the fact that when they asked for the branch banking for the metropolitan area the statement was made on the floor of the Senate by some of those who were favoring that that this was not going to extend into various communities outside of the metropolitan areas but that it was done purely for the purpose of making it possible for the big banks to compete with outlying districts in the metropolitan area. I said then just what was going to happen—that the next step would be

to authorize these same banks to establish branches. A statement was made on the floor of the Senate here yesterday with reference to the lobby that was here at that time to prevent branch banking. Never was there any such lobby present at that time as there is present in the Halls of Congress at the present time for the purpose of putting over this bill with reference to branch banking and some of the features which the bill contains.

Mr. NORBECK. I agree with the Senator in that. I am further confused by the statement on the floor yesterday that the lobby was sent here by the loop banks of Chicago. The loop banks are the ones who favor the branch-banking system. But there may be a mistake about that statement.

Now, they are here asking for State branch banking by State units only, giving us the assurance that the unit is small, and therefore the danger is small. I hear it stated all around that it should be a larger district, should be a Federal reserve district. The Comptroller of the Currency first announced that he favored branch banking by Federal reserve districts, but later by trade areas. Can anyone tell me what trade area is? What is the trade area of a metropolitan city like New York or Chicago? It covers the entire country, does it not?

We are soon going to be faced with a demand for a nationwide banking system, of course, and that is the old fight coming up again. It is a reminder of the banking situation which existed in Andrew Jackson's time, when centralized credit had such enormous power that it was nearly impossible to encounter it politically.

The Comptroller of the Currency appeared before the committee and recommended the branch-banking system. His argument was based on the fact that we have had 6,000 bank failures during the previous 10 years—"sufficiently indicating the existence of fundamental adverse conditions." He had reference to banking and not agriculture.

In his statement made on January 19, 1931, before the Committee on Banking and Currency he dealt with the total number of State banks that had failed. He does not tell the total amount of money involved in the failures. He refers to an annual report he made. The annual report carries the same mistake and tells about the large number of State-bank failures, and does not tell anything about the sum involved in those failures. On cross-examination he admitted that it might be it was not any more than the amount involved in the failure of some of the big banks. We called his attention to the fact that the failure of one bank in New York involved more than \$200,000,000 in deposits and had 450,000 depositors. The loss involved was four times that involved in all the bank failures in the State of South Dakota, where there has been quite a general breakdown of the banking system, due to the agricultural deflation. Why conceal these facts when he is trying to build up an argument?

Then we were told that the branch-banking system is safer, and yet this very New York bank to which I just referred had 60 branches. If they were 60 insurance companies, why should that bank have failed?

#### BRANCHES AND CHAINS

The failures of chain banks, group banks, and branch banks during the last few years are well known to everyone. It has created a very difficult situation in some of the Southern States.

Those who desire the unified-bank system are always telling us about the better management of the national banks. I do not care to make any comparisons of them except to observe that in some cases the State banks seemed to be handled much better than the national banks. The reverse is true in other cases. The two systems have grown up side by side. It is not the national-bank system that is the larger one, it is not the national system that enjoys the confidence of the people and the largest number of depositors. It is the State system that does that. The system placed in jeopardy by section 19 of this bill is not a State system; it has the largest number of depositors, the greatest amount of deposits, and does the greatest business.

If I understood the Senator from Virginia [Mr. GLASS] correctly the other day, he said he had gradually come to the opinion that a branch-banking system would prevent bank failures. I am not sure that he said it; I may have misunderstood him; but I do know the advocates of a branch-banking system use that as one argument. How would it prevent failures? When somebody comes along and offers us something for nothing and tells us we can lift ourselves by our own bootstraps we are likely to fall for it. How will the branch-banking system prevent bank failures? By changing the form of banking? By centralized control? How are we going to make a poor note good by taking it over? How are we going to restore agriculture and industry? Are we not talking about the effect instead of the cause of the banking trouble?

#### FIFTY YEARS OF GOOD BANKING

Is it not a fact that every system was good for half a century when the Nation prospered and most of the banks held up and we had State banks and we had national banks which rendered service and went along? Then when the earning power was destroyed, when values began to come down, banks failed. The earning power of the farmer was destroyed first and that is why the farm banks went down first. The comptroller might have told us that. Why conceal that from us? Can any banking system be very safe if the economic condition is unsound, if everything keeps sliding down, if the security we take one year is not good the next year? Can any system be sound under those conditions?

#### POSTAL SAVINGS BANKS

I was over in Canada a few years ago. We have to get away from home once in a while to get a new angle. Distance lends enchantment. I was told then they very much admired our banking system. They understood that depositors had not lost a penny in 15 years under our system. I did not know what the gentleman was talking about who told me that. I finally learned that he was talking about our postal savings banks. They looked good to him until I called his attention to the fact that they had no loss because they took no risk and rendered no service. If that is the ideal in banking, if the only thing involved is safety of deposits, we have that in the postal savings banks and we do not need to go to branch banking for it. We have a perfect system now, but it is not helpful to agriculture and it is not helpful to industry and it is not helping in the growth and development of the country, because if we put all our moneys in the postal savings banks everything would come to a standstill.

There is no criticism of the postal savings bank. It has been a fine thing for the poor man, the man who does not know enough about banking and bankers to take a chance on using their facilities. It is at least one safe plan, but we can not adopt it as our universal system of banking.

#### DOES SAFETY LIE IN BULK?

For a generation we have been told that the large corporations were the strong corporations and the big banks were the good banks, but we have found many exceptions to the rule—so much that we can no longer accept the rule.

The Banking Committee have listened to two arguments this winter—one a plea that the large banks should be permitted to have branches because they are so strong, they are so wise, they are so benevolent, they have such a desire to be helpful.

Then again we have been implored to appropriate large sums of money as a treasury to help the large banks because we can not afford to let the large ones get into jeopardy. The Reconstruction Finance Corporation legislation was asked for by the big fellows, and the benefits have not to any great extent extended to the smaller banks—certainly not to the general public. The most that can be said for it is it was a move to avoid a threatened disaster. This legislation was asked for by the very men who now pride themselves on their size and their strength.

We are told there is such a great demand for banking facilities in towns and villages where there are none. It

sounds reasonable, but the committee have also listened to much testimony to the effect that with better highways the trade gravitates to the centers, and the banks in the smaller communities are unnecessary, as well as unprofitable. Even the farmers and their families prefer to go to the larger towns to shop. They find greater selections of goods in the large cities, and there is a tendency on their part to do their banking business 20 to 50 miles from home. In former days, before the automobile came into being, they considered 10 miles a considerable distance.

We are told of the great desire of some of the large banks to "save" the banking system. From listening to the pleas, they are all ready to take over all the banks in the country—good, bad, and indifferent—for the sole purpose of protecting the depositors against losses.

This is ignoring the fact that the weak banks have for a long time been trying to sell out and have not found any buyers.

It is ignoring the fact that the good banks are not for sale at any reasonable price. We have some that are for sale, but it is a matter of dickering, and unfortunately our experience has shown that we have some whose safety and welfare depend on the return of the prosperity of agriculture, depend on the ability of the farmer to pay his notes. But no one cares to assume that risk in buying a bank.

#### A THOUSAND TELEGRAMS

When I was home in South Dakota last week, I found in many places that one of the group banks had sent out a general call to wire Senator GLASS—wire him on three things:

First. Approve the branch-bank feature of the bill.

Second. Give approval of the plan for the large banks to retain their affiliates—their back door to bad banking—under reasonable regulations, whatever that may be. The definite thing was the affiliates were to be retained.

Third. Approve the liquidating corporation provision in the Glass bill. Nobody seems to object to the latter, so the third provision was not important.

I knew the Senator from Virginia would have a bushel basket full of telegrams in support of the branch-banking feature, and on Monday morning, when he walked into the Senate Chamber with the staggering bundle, I knew what those messages contained. He was not responsible for the propaganda. He was not to blame for showing them. The only point I make is that they do not reflect public sentiment; they reflect "involuntary servitude." I suggest that those telegrams from my State be placed in the RECORD, so they may speak for themselves as to the power of propaganda under a partly centralized form of banking.

Mr. CAREY. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Wyoming?

Mr. NORBECK. Certainly.

Mr. CAREY. I would like to ask the Senator if they had had one bank with \$500,000 capital with a branch in every town in his State, would that have saved the situation in South Dakota?

Mr. NORBECK. It would not have saved the situation if they had rendered any service, because of the shrinkage in property values and the shrinkage in earnings. Of course it did not affect the Postal Savings banks.

Mr. CAREY. The Senator knows that the bill proposes to permit a bank with only \$500,000 to cover an entire State with branch banks.

Mr. NORBECK. Mr. President, yes, I think section 19 is too liberal in its capital requirement for branch banks, and while it provides for State units, it does not provide that the ownership must be within the State.

I know of no one in South Dakota who wants to open up a branch bank. I know people in larger cities who favor branch banking in South Dakota, and are here advocating the branch banking system.

The Senator's remark goes to the fundamental thing in banking. If there is any fundamental principle that is recognized in banking, a fundamental principle that is well established and well recognized, it is that a bank must not

owe more than ten times what it is worth, because if it does, it is not in a safe condition. In other words, the capital must be one-tenth of the deposits. Liabilities must not be more than ten times the amount of the capital. So if a bank has \$100,000 in capital and \$1,000,000 in deposits, it has \$1,000,000 to protect \$1,000,000 in deposits. They can stand a shrinkage, a substantial shrinkage, before there is any danger; but that is based upon experience. It has been found that is the best ratio at which a bank can safely do business and render service to the community.

What is it this bill proposes to use in place of it? It is proposed to increase the banking business without increasing the banking capital. Is not that right, may I ask the Senator from Wyoming?

Mr. CAREY. Yes; the Senator is correct.

Mr. NORBECK. They say if we will let them take over these banks with their capital structure, they will run the business as an office. We are told that branches that have losses equal to their capital can be taken over by the chain and operated as a bank. That is a violation of the rule. It is proposed to ignore the very fundamental thing upon which sound banking is based. They are going to defend that proposal by bringing in here a sheet to show that they have a margin of capital over deposits, because in the shrinkage of business in general the deposits have shrunk too. But we all know that is when the danger mark is reached in banking, in periods of depression like this, because deposits decrease during a depression, values shrink, the paper in the portfolio is not as good as previously. Losses will have to be charged off.

Bank depositors recognize the ratio of normal times and do not permit reduction in capital on account of shrinkage in deposits until there has been a most rigid examination of the bank's assets. The ratio of normal conditions must be maintained. Is Congress going to lend itself to changing that ratio? If we do that, we strike at the very foundation of banking. No, they should not owe in normal times more than ten times what they are worth.

Mr. President, it is now 1.30 p. m., and I want to say to the Senators who may be hungry and desire to go to their lunches that I am not going to deliver the whole speech which I had intended to make at this time.

SEVERAL SENATORS. Go ahead!

Mr. NORBECK. We have had so much expert advice given to the Committee on Banking and Currency that we would be wise if we were not dizzy. I am sure that applies to the author of the bill as it does to me. He has been pestered day and night. Bankers have wired out all over the country and propaganda came back, "Vote against the Glass bill."

Then some little change would be made, and they would wire out over the country again and propaganda would come back, "Vote for the Glass bill." There was propaganda pro and propaganda con. Hearings and arguments were heaped on top of hearings and arguments. Misstatements galore were made by lobbyists, misstatements that have been sent out of here, because the lobbyists have to maintain their offices also. They have to cry "Wolf" once in a while if they are going to continue to draw their salaries, so they sent out warnings galore against the Glass bill and against this and that section of the Glass bill and against the minority of the committee, and against the "wild jackasses" on the committee.

I protest only against section 19, and I protest because the compromise provision in same was removed a very short time ago after being a provision in this bill since 1930. The compromise provision was that no branch banks should be established in any States, except in States that permitted a branch-banking system. This was struck out, and section 19 now provides that national banks may have branches, regardless of the laws of the State.

#### EXPERT ADVICE

Among the wise men who came to Washington to aid this committee in drafting the bill was the then president of the American Bankers' Association, not the man who is now president. I think they have had three presidents since the

committee started its work on this bill—one every year. He attempted to lay much of the banking trouble in agricultural States to the increased prices of land. He complained there was a wild speculation, and the proof of it was that land had doubled in price.

When we asked him if anything else had been doubled in value, when we pinned him down and asked about a pair of shoes doubling in value, about a suit of clothes doubling in value, about a locomotive doubling in price, and numerous other things doubling as well, he gave up. He did not know what he was talking about. Yet he was the one who had been giving advice to the bankers of the land about how to get out of the depression.

We also had expert advice from a man who had been president of the United States Chamber of Commerce. When the farm relief bill was pending a number of years ago his advice then was to keep the Government out of business. But he came before the Banking Committee this winter and recommended the Government go into business for the purpose of helping the banker. He advocated the passage of the Reconstruction Finance Corporation legislation. He was another one of those who believed the Government should stay out of business when the other fellow was in trouble but should go into business when he himself is in trouble.

Mr. LEWIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Illinois?

Mr. NORBECK. I yield.

Mr. LEWIS. May I say to the Senator that as I came in the door, having been called out for a moment, I heard the Senator allude to what seems to be a charge that the loop bankers in the city of Chicago have been maintaining a lobby here. Will the Senator let me know whence that information comes and what foundation there is for it?

Mr. NORBECK. I had reference to the statement made yesterday by the Senator from Virginia [Mr. GLASS]. In his discussion of the pending bill he referred to such activities in connection with a previous banking bill. I did not question his statement, the Senator will understand; but he did state that the loop bankers, if I understood him right, sponsored the lobby referred to.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Virginia?

Mr. NORBECK. Yes.

Mr. GLASS. If the Senator had read my speech as it appears in the RECORD, he would have noted that I—

Mr. NORBECK. I just heard the Senator's remarks on the floor, and I may be in error. I did not think the statement was correct, and that is why I referred to it.

Mr. GLASS. I corrected my statement with respect to the loop bankers. I did not understand exactly the geography of Chicago. It was an association of bankers outside of the loop which did not want the loop bankers to invade their territory; it was not the loop bankers; and I corrected my speech accordingly.

Mr. President, if I may add a word or two further as pertinent at this moment, I said in my speech that this association of bankers had employed a Congressman to oppose that measure of branch banking provided in the McFadden bill, and that I had the documentary proof to that effect. It will be recalled by Senators that rumors to that effect were so insistent at the time that the Senate itself adopted a resolution directing an investigation of those rumors. A subcommittee of the Banking and Currency Committee of the Senate was appointed to make the investigation. As I recall, the subcommittee consisted of then Senator Sackett, now ambassador to Germany; then Senator Edge, now ambassador to France; and myself. We pursued the inquiry and obtained the documentary proofs with respect to one more or less prominent Member of Congress. We had the testimony of this man's family physician that any revelations of that nature would endanger his life, and therefore the subcommittee determined not to pursue its

investigation any farther. That Congressman has since died, and because of that fact perhaps I should not have made the reference that I did make in my speech.

I understand that in the other House to-day a very vituperative reference was made to my statement, and the validity of it was called in question. If there is anybody in this or the other branch of Congress who is now eager to make a revelation of the facts, I still have the documentary evidence, and, if anybody is willing to take the responsibility to reveal the facts, it is accessible to him.

Mr. LEWIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Illinois?

Mr. NORBECK. I yield.

Mr. LEWIS. I take it for granted that in these observations of the eminent Senator from Virginia and of the Senator from South Dakota there is no charge that the bankers of Chicago, known as the loop bankers, or any others, were the parties perpetrating these offenses?

Mr. NORBECK. I am not able to answer that question. I would rather that the Senator from Virginia answer as to who the responsible parties were.

Mr. GLASS. Mr. President, my statement stands in the RECORD, except that I was confused as to the geography of Chicago and located the offense within the loop rather than without the loop.

Mr. LEWIS. I will merely add that it seems to be an instance of "looping the loop." [Laughter.]

Mr. WHEELER. Mr. President, if the Senator from South Dakota will pardon me, when the Senator from Virginia was speaking I understood him rather than having reference to the "loop" banks to say "loot" banks.

Mr. LEWIS. That is a matter that may be corrected by a "t."

Mr. NORBECK. Mr. President, the Senator from Virginia called attention to one of the real evils developed in the banking system. When he made his speech yesterday he spoke about the pressure put upon the banks, and said it resulted in involuntary servitude; the big city banks, from whom accommodations had been received, insisted upon unloading on them such securities. The bank did not want them, but had to take same. Next, the bank had to find a way to sell the securities, for they were not readily salable. The banks also had to put on pressure. They could not put the pressure on the depositors; they put it on the borrowers. Many of the borrowers would be called in and suggestion made to them they should buy certain stocks or certain bonds. When the borrower objected—he could not afford to do so—he was told to think it over, the bank would take an additional note for this. After the borrower had thought it over a day or two he would go back and meekly comply with the suggestion. He could not afford to displease his banker any more than the bank in the country could reject the advice of the big city bank. Times were hard and everybody knew it. The sharks took advantage of their victims. The victim was first the little bank and next the customer of such bank. In this way bad securities were sold all over the country. The Senator from Virginia is right; it is involuntary servitude, but it is not due to our system of banking; it is due to the business situation.

#### THE CURE

Does anybody believe the cure lies in conferring greater power upon the offending person? With a branch-banking system the small bank would be owned by the large bank, who in turn would be able to enforce more "involuntary servitude"—not less.

#### AFFILIATES

One of the worst evils that grew up during our period of speculation was the side-line company of the banks, commonly called affiliates. They would be owned by the bank and controlled by the bank, or rather by the officers of the bank. Often it was their side line, and the bank carried the burden.

The affiliate has been described as a back door to the bank. It was usually a back door to bad banking, and with the bursting of the boom it often involved the banks in enor-

mous losses, and in some instances it brought on the failures of banks. One of the purposes of the Glass bill is to bring this system to an end by compelling the banks to dispense with their affiliates, and liberal time is provided—they are given three years to bring this about. Some of the better banks have already separated themselves from the affiliates.

A few good banks have maintained the high standard of business morality in the affiliates, as they have in the banks, but a number of our larger banks have a miserable record in this matter. They are, however, unwilling to dispense with this agency for gathering in the shekels. They are hoping for another boom, another opportunity to shear the lambs. They believe that wool grows rapidly. It has hardly occurred to them their business methods are largely responsible for the present financial condition of the country.

Mr. WHEELER. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Montana?

Mr. NORBECK. I yield.

Mr. WHEELER. In view of the reference which has been made to involuntary servitude, let me say that every little bank in the Northwest is now practically under involuntary servitude to the larger banks in the great centers; so that it is almost impossible for stockmen and cattlemen in my State to borrow any money from any of the banks because of the fact that they are under the domination of the St. Paul and Minneapolis banks or the big chain banks.

Let me further call the attention of the Senator to the fact that those big banks, the holding-company banks, went out and paid enormous prices for small banks with the money of the good banks in various States of the Northwest, and then floated stock which was practically worthless and loaded it upon their depositors throughout the Northwest.

Mr. NORBECK. Which stock was of doubtful value at the time and proved of low value later on.

Mr. SHIPSTEAD. Mr. President, will the Senator permit me to interrupt him for a moment?

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Minnesota?

Mr. NORBECK. I yield.

Mr. SHIPSTEAD. I should like to call attention to a practice which also amounts to involuntary servitude. I have had many bankers tell me that even bank examiners come to their banks throwing out the thought that it would be good for the local banker in order to get more reserves to acquire more bonds and put bonds in their pouches.

Now they are in such a situation that the greatest losses they have sustained are in that class of paper which they were practically forced to take by the bank examiner and which they did not know anything about—foreign paper from different parts of the country, corporation bonds—

Mr. NORRIS. And paper from foreign countries, too.

Mr. SHIPSTEAD. Yes; paper from foreign countries, utility bonds, and corporation bonds into the purchase of which they were practically coerced to put their local money, and then put the bonds in their pouches.

Mr. CAREY. Were those State or national banks?

Mr. SHIPSTEAD. I have been told they were both State and national banks.

Mr. NORBECK. The Senator from Minnesota is quite right; it became a fad. People were taught to believe that property far away from home was good. For instance, I attended a meeting of the Independent Bankers' Association of the State of Minnesota, the home State of the Senator who has just spoken. The superintendent of banks of that State spoke for 30 minutes about bonds, how to classify bonds, and about so-called secondary reserves. There was not a thing said about milk cows in that greatest dairy State in the Union. It was all bonds, foreign bonds, domestic bonds, utility bonds, municipal bonds, Government bonds—bonds, bonds, bonds—as a secondary reserve, as something liquid, a class of securities that to-day is selling at from 20 to 80 cents on the dollar, when the loans which were made to the farmers are still good.

Mr. COPELAND. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from New York?

Mr. NORBECK. I yield.

Mr. COPELAND. I should like to ask the Senator a question. I have reached the conclusion from his remarks that he is opposed to branch banking. Assuming that the branch-banking feature is eliminated, are there other features in the bill which should be preserved?

Mr. NORBECK. I am committed to the bill, and think there are many splendid things in it. I should like to vote for it if this threatened danger to our section of the country can be removed. I may say that this bill was in the committee for a year or more without this provision in it.

Mr. President, let us reduce the involuntary servitude under which the small unit banks labor, but how are we going to do it?

Mr. KEAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from New Jersey?

Mr. NORBECK. I yield.

Mr. KEAN. I should like to ask a question about the Senator's statement concerning involuntary servitude. If he means involuntary servitude through the Federal reserve banks, of course, under the law the member banks are in involuntary servitude to the Federal reserve banks.

Mr. NORBECK. I think the Senator from New Jersey should address that remark to one more competent to answer it than am I. The Senator from New Jersey himself is a banker, a successful banker, a banker of wide experience, a banker who enjoys the confidence of his community, a banker who does not follow all the fads of banking, who does not subscribe to all the new notions because somebody else tried to foist them on the country. I wish the Senator from New Jersey would devote an hour to this question and speak to the Senate from his lifelong experience and his judgment on these matters. I have been discouraged at the silence of the Senator while this branch-banking matter is pending. Involuntary servitude? Yes; we get away from it by a centralized control, do we?

I talked to one of the greatest branch bankers in this country, and I said, "How did you come to establish a branch system?" He said, "The banks in our section were sending their money elsewhere. We got tired of begging for it. We went out and acquired control of them and told them to send it in here." Yes, there was more "involuntary servitude." It left the local boards of directors in charge; it left the same buildings and the same offices, but tied a real string to them by which it pulled the money to one place, where they can do with it as they please.

I said that the branch system was a foreign system. It is so foreign to us that the nearest example we have of it is the Canadian system, which was an outgrowth of the English system, and quite a natural one. It is a system that serves England well, but does not serve Canada so well, because the conditions are different; and thousands of farmers from our Northwest who have gone into the prairie Provinces will testify to that.

In Canada a number of years ago I got to visiting with a farmer who told his experience with the Canadian banking system. He happened to be a Canadian who was born in Canada. He said that in the early spring he had arranged for the renewal of a small loan and wished to borrow additional money, because he was a well-to-do rancher and had plenty of security. The man in charge told him he could have it. He said, "Come in in 30 days and we will fix it up." The rancher went in in 30 days. There was a new face in the office. Clerks had been shifted. Policies had been changed. Maybe the chairman of the board of directors had a stomach ache or something, and he said, "No," where otherwise he might have said, "Yes"; and he lived 2,000 miles away. All the farmer was told was, "No, no; we have changed our policy. We are not making any loans. We are collecting. You will have to pay your note." There was nobody to appeal to—nobody but the Lord in Heaven.

There was no local representative of the bank. A foreigner in their midst was telling them what they could have and what they could not have.

I know of another case that happened in this country under a similar system, even more tragic than that; but I shall not take the time to relate it.

I have another case that happened in Canada. A well-to-do merchant arranged for a loan. The security was good, and everything was satisfactory. He was to have \$5,000, but when the matter went through the machinery down at Montreal, where they go through at a rate of a number of applications per minute, some one in charge of it had marked "\$4,000" instead of "\$5,000" on it. He could not use that, because it would not take up his obligations. That is what you call "service", "expert service."

#### SLOW PROGRESS OF CANADA

What has been the effect on Canada? Is there anyone here who will say that the natural resources of Canada do not come in the class of those of the United States, with her fertile soil, a climate that will raise wheat through that whole Northwest for 2,000 long miles, the East with its great fruit country. Land was selling seven years ago, when our depression was well under way, 30 miles north of Niagara Falls for \$600 an acre, raw, because it was good fruit land.

Is there anyone who will say that the mineral wealth of Canada is limited? Why, it is well known to be fabulous. They have not started to develop it.

And what about her forests? I believe that she has forests enough to supply the world with lumber.

Is Canada young? The oldest settlement in Canada is older than that of the United States.

Has Canada an inferior population? No one will charge that. It is largely British; but the eastern Provinces were settled by the hard-working and thrifty French—thrifty and prolific. But the large families can not find a place to settle out there, so they come into the States here and crowd our New England farmers; and while we have built up 120,000,000 population, Canada has one-tenth as much.

What does Canada think of it? Oh, they are not all blind to it. I will read something here from a Canadian official document, the proceedings of the House of Commons select standing committee on banking and commerce, 1928. This is a statement by Mr. Arthur E. Darby, director of economic research, Canadian Council of Agriculture. I shall not read it at length; but Mr. Darby states:

In Canada the chief financing of agriculture has been done by mortgage-loan companies.

He goes on:

In any case, the ordinary commercial bank, operating for profit, can not cover the whole field of short-term and intermediate credit.

It may be, as European experience would seem to indicate, that in cooperative credit and banking lies the salvation of agricultural finance.

That is what their own official says about their own banking system—the one we are asked here to adopt.

#### CANADIAN BANKING SYSTEM

But we hear so much about the safety of the Canadian system. I made an error, in the minority report, in copying a magazine article boosting the Canadian system, in using their figures. Their figures were that there were only 16 failures in 62 years. I thought that was a great deal, considering that they only have 11 banks—more than 100 per cent—but I find that the figures were wrong. They had 26 failures, not 16; I get that from the official reports. Of course, they do not count the branches when they have a failure, and the average Canadian bank has 400 branches under a single management in a central city.

But what is the effect? What is the drift of branch banking in Canada? That is what we want to know.

I maintain that the danger is that we will centralize banking into a few hands here. But we are asked to look at Canada and see what they have done. Yes; let us look at Canada and see what they have done. Let us look at it. Let us not look at part of it but look at all of it. From the Banking System of Canada, by Beckhart, I learn that in

1890, 40 years ago, Canada had 40 banks. In 1928 they had 28. To-day they have 11. How long will it be until they have one?

Mr. WHEELER. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Montana?

Mr. NORBECK. I do.

Mr. WHEELER. I think the Senator will agree with me that practically everybody in the Northwest agrees that the reason why that country was built up at all was because of the independent unit banker in that country who loaned money to the people who went into the stock business and into different enterprises, and they were successful. I venture the assertion that the strongest bank in Montana, at least, is a unit bank located in the city of Butte, Mont., at the present time—much stronger than all the others—and that it serves the local people probably better than any other bank in that whole territory.

Mr. NORBECK. I can say that we have a similar situation in my State.

In answer to this charge that only the national banks are safe, let me call attention to the fact that the largest banking institutions in the United States are not national banks. Has anybody claimed that the Pierpont Morgan banking firm is a national bank? We are told that national banks are well supervised and safe, but there are two sides to that, like everything else.

Mr. WHEELER. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Dakota farther yield to the Senator from Montana?

Mr. NORBECK. I do.

Mr. WHEELER. I should like to make this further observation: It was stated on the floor of the Senate yesterday that none of the borrowers were complaining or objecting to branch banking. Let me say to the Senator that since these chain banks came into the State of Montana and into the Northwest stockmen and business men generally in my State have complained because of the fact that they could not get ample credit from the banks from which they formerly had been getting credit.

The sentiment became so strong, as a matter of fact, that some of the leading stockmen wanted to organize a bank in the city of Great Falls. They applied for a charter to the State bank examiner. The application was turned down because of the fact that they said that with these other banks there were ample banking facilities.

They then, as I understood, took up the matter with the comptroller's office here in Washington, and applied for a charter for an independent national bank. They were unable to get it because of the fact that they said there were ample banking facilities in that community.

These were leading stockmen who had money, who were willing to invest and put in a good, substantial bank for the purpose of serving the stock people and other men of that city; and a charter was denied to them, as I understand, both by the State bank examiner and by the national bank examiner.

When the stockmen gathered together in several parts of the State and wanted to organize a credit association for the purpose of serving the stockmen, the cattlemen, and the sheepmen of that State, the group bankers fought the organization of this credit association, so that they were unable to establish one to serve the stockmen and cattlemen of that State.

Mr. NORBECK. Mr. President, the demand for more power, of course, is a human instinct, and we need not wonder that men who have a great deal of it want more; but the penalty of giving them more power may be more than the country is able to bear. I can think of nothing worse befalling the country than to have credit centralized in a few places.

I know that the opposition says there is not much danger, but there are States where the branch banks control the whole situation. They not only control the banking situation; they control the politics of the State. No one denies that. The power of propaganda is a remarkable thing.

## HOLDING COMPANIES

The new system of banking in the Northwest, commonly referred to as chain, is, of course, the group system of banking, controlled by the holding companies. It has been quite a problem with this committee to know what to do with this new system of banking, which had no foundation in law or in experience. The committee was of the view that strict regulations should be enforced, but reached the conclusion that it was impossible then to enforce very strict regulations. They did not want to assume the responsibility for important changes in times like these.

The bill, therefore, carries a provision which in effect legalizes this new system of banking, but throws some restriction in the way of further expansion of the system.

There are only three important provisions in the bill relating to this new system of banking:

First, it is legalizing; next, it provides that the holding company shall be examined, same as a bank; and third, it provides for the publication of statements after examination. The light of publicity will be turned on, but really nothing else of any importance is provided for.

The provision about adding to the surplus after three years will probably be neutralized by the fact that losses may be charged against the surplus.

The new system has saved some banks from failure. They sold a good deal of the stock in the corporation or holding company during the boom period. They sold such stock at high prices; the public bought freely. A large sum was accumulated. The examination will no doubt show that a large part of this money has been used to take up bank losses that had to be charged off. This was hard on the new stockholders. But it was helpful to the depositors. Unfortunately we find that sometimes the depositor was also a stockholder.

One of the representatives of the Northwest group banks first took the position that branch banking was not a desirable thing, but a year later, when the bill was still before the committee, took the opposite view.

I am frankly of the opinion that the advice we have received from bankers has been so conflicting and so confusing that it has not been of material aid to the committee.

Second, permit the New York banks to continue their affiliates, the back door to bad banking. They said, it is true, that they wanted that privilege under reasonable regulations, but that they wanted to continue them.

The committee is trying to get them separated. There is a provision in the bill to separate them in the course of three years. Many of the best banks in the country have separated them already. They want to get away from the charge, from the suspicion of bad practice. They want to run clean institutions. They do not have to have that kind of collusion. Others have grown up so close together during these years that it is hard to separate, and they do not want to separate. But the others are those who want to continue an illicit banking business through this back-door method, and the Glass bill provides for its elimination.

The telegrams said three things: First, enlarge the banking system. Second, let the other fellows keep the back-door affiliates. Third, provide liquidating corporations. The latter was a thing that looked good. It is one of the provisions of the Glass bill. I knew, therefore, the number of telegrams the Senator from Virginia would get, and that they would read in this way:

Urge passage of Glass banking bill providing for state-wide branch banking and creation of liquidating corporation for closed banks. Also favor amendment for retention of security affiliates under proper regulation.

I am sorry the Senator from Virginia is not here. Senators noticed that he came into the Chamber yesterday with a pile of telegrams as big as a corn basket.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. NORBECK. I yield.

Mr. WHEELER. I hope that before the Senator gets through with this argument he will request that those telegrams from the Northwest be placed in the Record.

Mr. NORBECK. I have already expressed the desire this morning, in opening my remarks, that those telegrams be placed in the Record, to show what propaganda will do.

Mr. WHEELER. I think it would be well not only to show what it would do, but to show how this chain-banking system is carried on.

Mr. NORBECK. I will say to the Senator from Montana that I talked to the senders of some of the telegrams. One was a stockholder in a holding company. He said, "Norbeck, you know I have to comply." I answered, "Of course, and I do not blame you." Another one was an employee of a bank, and he said, "You know, Norbeck, that I have to comply." I said, "Of course you do." Another was a borrower in a bank, and he said, "My note is due in 30 days, and I will do anything they ask me to do." Talk about involuntary servitude! These telegrams come by the thousand, by the two thousands, by the three thousands. When we get a nation-wide branch-banking system, the Western Union business will increase tenfold, because they can make every borrower bring pressure on Congress. All they will have to do will be to press a button from the central place.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. NORBECK. I yield.

Mr. SHIPSTEAD. Mr. President—

The PRESIDING OFFICER (Mr. LA FOLLETTE in the chair). Does the Senator from South Dakota yield to the Senator from Minnesota?

Mr. NORBECK. I yield.

Mr. SHIPSTEAD. The lobby on the McFadden banking bill has been referred to. I received telegrams from practically all over my State when that bill was being considered by the Senate, and a committee of bankers came here to put me right on that bill. I took them over to my office and asked them some questions, and found that they did not know what was in the bill, that they had not read it. When I explained what was in the bill, they went home and were not in favor of it.

Mr. COPELAND. Mr. President, will the Senator from South Dakota yield to me?

Mr. NORBECK. I yield.

Mr. COPELAND. I should like to say to the Senator from South Dakota that I found myself in such bitter opposition to this branch-bank feature of the bill that I wondered whether I might be prejudiced in some manner. To make sure that I was really voicing the sentiment of my State, I communicated with 200 communities in New York State, a very considerable number, as Senators will see, and while very few, perhaps a dozen, replies came favoring branch banking, the others were united in their opposition, and many of the writers of the communications expressed thoughts far more bitter than I had found in my own mind. Of course, I may say to the Senator, I did not communicate with the "banksters" in New York, the invisible oligarchy controlling the banking institutions of the country. I assume they are in favor of the bill. But when I talk with unit bankers, with patrons of unit bankers, and those who have an interest in localities, I find, as I have indicated, almost unanimous opposition to this feature of the bill. I am confident that the sentiment in my State is overwhelmingly in opposition to that particular feature.

I do wish, however, to press the matter I spoke of a moment ago, to know whether there are specific things in the bill which are desirable, and whether it is worth while to try to save a part of the bill, or to send it all to destruction. That is the thing I have in mind.

Mr. NORBECK. I thank the Senator. I am going to close in a few minutes, Mr. President. I am thinking of this branch-bank feature as having as one of its purposes the destruction of the State banks. "Unified banking system." That is a beautiful expression; it is an ideal which some have looked forward to; but I am afraid of it as I am of the ideals some people have on some other matters, because it may not work out so well. But we must not forget this, that the State banking system has deposits of about \$30,000,000,000, and national banks have deposits of

about \$20,000,000,000. Why destroy the larger one for the benefit of the smaller? Why standardize? Are we not standardized enough?

Have we not standardized securities? Yes; we have had standards of securities the last two or three years, a thing I referred to before. But let us not have any more of it. Let us not have any more central control. Let us leave the States with some rights. Let the wishes of the people in the States govern, and let us stop this everlasting encroachment, because a system is so powerful that when the public are off guard they push it up a notch here and a notch there. It is like Tennyson's Brook:

Men may come and men may go,  
But I go on forever.

So with a system. If permitted to make an advance, they are encouraged to make more demands, and they will make more demands on various pretexts.

I am one of those who believe that the great danger of the unified system is the destruction of the State bank, and that that will come about as the result of the branch-banking system, although apparently free competition is permitted. But it is hard competition. It tends to destroy.

There are other plans which are possible. Who would have thought that the big banking centers and the big industrial centers would be here advocating more Government control of banking? Who would have thought they would be here advocating Government in business, as I have shown they have done already. But I am of the opinion that there is an organized movement on foot to guarantee national-bank deposits.

There is an organized movement on foot for the guaranteeing of deposits of national banks for the purpose of bringing on a unified banking system, to make it impossible for the State banks to exist. I might agree to a bank guaranty law soundly made, started in normal times, when there was stability of values. I do not consider that unsound. But I think it is unsound to go in and take up the other fellow's losses. I think it unsound to put bank losses on the taxpayers at this time, and I think it is an awful hardship on those sections of the country which have had bank losses for them to take up bank losses elsewhere. But, above all things, I am fearful of the purpose of the guaranty law, not as urged by some, for many Members of the Congress advocate it honestly and candidly, and want to bring on a better condition. But I have no doubt that those who want to bring about a unified system of banking and destroy State banks are getting back of the system for the purpose of doing that, and are the very people who always fought a bank guaranty law.

I thank the Senate for its attention.

Mr. FLETCHER. Mr. President, I had not expected to discuss this subject, and I will take just a few minutes to consider section 19 of the bill. I have always been in sympathy with the local unit banks. I have always wanted to see them prosper. The small country bank, located in a remote community, more or less, has been a very important and effective factor in accommodating the needs of the people in such communities. I have wanted to see them prosper, and I would not undertake to do anything which might harm them, if I could avoid it.

On the other hand, Mr. President, we must recognize that conditions have changed in this country very materially. Now we have improved highways, bringing a community that was formerly 50 miles away from a city and banking accommodations near ample and adequate facilities. We have the telephone and the telegraph and the radio, so that what were formerly rather remote communities are brought next door to the larger institutions in the cities and towns in the metropolitan areas.

It has become almost impossible for these small unit banks to operate successfully. The business goes to the larger banks. The deposits are carried to the larger banks, and the remote banks have not sufficient business, not sufficient deposits, not sufficient resources, to enable them to employ expert bankers, experienced and capable officials in connection with the banking business. Really, the banking busi-

ness is a profession. The man engaged in banking ought to be a man experienced and trained in that business. Banking is a profession, just as much as law or medicine or engineering is a profession. One difficulty we have is that people have established small banks in various communities who have no banking experience, and who did not understand the business. They could get on very well when times were good and money was abundant and business was booming and prosperous. But when stress has come, when there was a tax on their resources and their skill and their experience and their knowledge, they were unequal to it, and the banks went down.

Let us not forget that many of the depositors in the banks of the country, the widows, the estates, the guardians, the individuals who have trusted the banks and who have put their funds on deposit in the banks for the purpose of safe-keeping, have lost enormous sums, all they had, fortunes, life savings, in the last few years.

I sympathize with those people. I feel that whereas we may be deeply concerned about the banking business and want to see the bankers perform and serve the public as they should, yet we should be especially concerned about the depositors, the public. What is best for the public? That is the problem we must consider. What is in the public interest? It is not merely a question of what is in the interest of the bankers, the trust companies, the financial institutions, but what is in the interest of the public which those organizations and institutions are supposed to serve.

Having that in view and having in view the changed conditions, I confess to having somewhat changed my mind about the subject of branch banking. I have always heretofore felt opposed to it. I do not like the idea, as the Senator from South Dakota just mentioned, of centralizing financial strength and power in one or two great institutions in the country. I do not like that idea. We have to put the power somewhere to expand and contract the currency as the commerce and industry of the country require it. It must be put some place. We are tending to put extraordinary power in the Federal Reserve Board. That may not be wise, but it seems to be the only thing we can do. We have to vest it in some agency of the Government. That board is supposed to be nonpolitical, nonpartisan, and to be composed of widely experienced financiers of the country, patriotic as well as skillful. If we can not trust them, we can not trust anyone. That is the way it seems to me.

The small unit local banks serving in small communities, it seems to me, in the inevitable trend of events will gradually disappear. We can not help it. They will be unable to engage sufficient experience and skill in their management and to pay sufficient salaries to command that sort of management. The money of the communities where they exist will be gradually drifting to the larger centers, to the larger banks. It seems to me they are being eliminated, and we can not help it. I regret very much to see it. I do not want to hurt them and I do not want to harm them in any way, but we must recognize conditions as they are. As I said, our first duty is to look to the public interest.

Speaking of telegrams, I have had any number of them as other Senators have, by the dozens and dozens opposing section 19 of the bill. I have had them from State banks in my State, which does not permit branch banking. Florida does not allow branch banking. Under the provisions of the bill now before us that provision of the State laws would be overcome and branch banking would be allowed in accordance with this bill as to banks under Federal jurisdiction. At the same time Florida has the right, of course, to change her own laws to meet new conditions, and will have to change her laws to permit branch banking if she sees fit to do it. There is nothing compulsory about it, of course.

There is nothing compulsory about establishing branch banks. They are to be established in the same way as original banking institutions are established. Only where they are needed, where there is a demand for them, will they be established. They will be under control, they will be capitalized. The Senator said something about capital not being increased where a branch bank is established. The

bill expressly takes care of that and provides that "the aggregate capital of every banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated," and then there is a provision that "No such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than \$500,000." Under the laws of the State of Florida and of other States, banks can be established now with a capital of \$10,000. I submit that is not adequate capital for any bank, and I do not care whether it is a State bank or what kind of a bank it is.

Mr. COPELAND. Mr. President—

The PRESIDING OFFICER (Mr. Fess in the chair). Does the Senator from Florida yield to the Senator from New York?

Mr. FLETCHER. I yield.

Mr. COPELAND. Does the Senator understand that particular clause in the bill to mean a banking association with an unimpaired and paid-in capital stock of not less than \$500,000 may establish just as many branches as it wishes throughout the State?

Mr. FLETCHER. No; I do not. The application must be passed upon favorably first by the Federal Reserve Board.

Mr. WALSH of Montana. With the approval of the Federal Reserve Board.

Mr. FLETCHER. Yes; the applications have to be approved by the Federal Reserve Board, just as the Comptroller of the Currency approves the establishment of a bank anywhere.

Mr. COPELAND. I want to be very clear about it. I asked the Senator from Virginia [Mr. GLASS] yesterday, and I am repeating the question now. If the Federal Reserve Board should agree that a \$500,000 capitalization was sufficient, then that association could establish an unlimited number of branches with the approval of the board. Is that right?

Mr. GLASS. An unlimited number of branches?

Mr. COPELAND. Yes; with the approval of the board.

Mr. GLASS. Yes; just as an unlimited number of national banks can be established to-morrow with the consent of the Comptroller of the Currency.

Mr. FLETCHER. The provision reads:

A national banking association may, with the approval of the Federal Reserve Board, establish and operate new branches—

And so forth. There may be some danger that the board would approve unwise and unnecessary branches, but that is not at all likely. I think the tendency will be rather the other way, to restrict the establishment of branches.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Virginia?

Mr. FLETCHER. Certainly.

Mr. GLASS. As the Senator from Florida indicated a while ago, with each establishment of a branch the parent bank would have to increase its capital to the extent that would be required for the establishment of an independent unit national bank.

Mr. FLETCHER. That is what I meant to say, and that is what the bill provides. I want to be absolutely fair. This is a controversial question, and there is room for argument on both sides. I am going to ask to have inserted in the Record at this point a typical telegram sent to me by E. C. Stuart, president of the Lake Wales State Bank, stating their opposition to that feature of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

The telegram is as follows:

LAKE WALES, FLA., May 9, 1932.  
Senator DUNCAN U. FLETCHER,  
Washington:

We do hope you will look carefully into any bill proposing a change in the banking laws. As you know, the national banks are located principally in the populous centers, while the State banks

are scattered over the rural sections, and their problems are very different but should not be in conflict. We believe any thoughtful unprejudiced authority will agree that the State banks render important service in the conduct of the Nation's business and have a right to live. We do not fear group banking. We are willing to face legitimate competition, but branch banking is not legitimate competition in our opinion, and if the proposal to establish branch banking becomes a law it will be a fatal blow to State banks. If the laws governing the Federal reserve system had not deprived its members of the right to make a legitimate charge for legitimate services we would have been members of it from the beginning, but we can't pay interest on our deposits and keep the required reserve where it bears no interest. We can't incur 75 per cent of the cost of operating the bank, getting and keeping the accounts of our customers, and transfer their balances any and every where without making some charge for it. We believe it detrimental to the best interest of the country to support a measure that would further abridge the rights of the State and have for its ultimate purpose the concentration of wealth and power in the hands of the few.

LAKE WALES STATE BANK,  
E. C. STUART, President.

Mr. FLETCHER. I have similar telegrams from other State banks. As bearing on the same subject I think it well to have inserted in the Record at this point a letter which I have received from Mr. C. B. Axford, editor of the American Banker, 32 Stone Street, New York, dated May 7. He discusses the whole subject, presenting all the argument and all the facts that could be stated, it seems to me, in opposition to branch banking. I ask that the letter may be inserted in the Record at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter is as follows:

NEW YORK, May 7, 1932.

Hon. DUNCAN U. FLETCHER,  
Senate Office Building, Washington, D. C.

HONORED SIR: Within a few weeks now, as a Member of the most representative governing body on earth, you will have the opportunity of signing the death warrant of your home-town banks.

You may not clearly realize it; but if you vote for the Glass banking act of 1932, with its degenerative branch-banking provisions, your local banks are doomed.

Are you for or against such a prospect?

You will be told the half truth that branch banking is necessary to make our banking system safer. The dubious examples of Great Britain and Canada, where "there have been no bank failures," will be pointed to as convincing "evidence" that branch banking is safer than unit banking. Heaven help these United States if your good sense does not cause you to smile a little.

We thought new-era economics fell ill in 1929, died in 1930, and were buried forever in 1931.

But enough unfortunately still lives of the errors of 1929 to tempt you with the half-truth arguments that branch banking is better for your people.

Half truths indeed!

For will these branch-bank survivors of the era of error tell you the other half of the story of branch banking—the discredited half?

No banks have failed in Great Britain and Canada? What is the crash of the British gold standard but the greatest bank failure of history, in which the unwieldiness of the branch-banking system was a major cause?

#### BRITISH AND AMERICAN BANK LOSSES COMPARED

No losses in bank failures in Great Britain? What else is the fact that the pound sterling dropped in purchasing power from \$4.85 to \$3.25 in gold, silver, or wheat, or other commodities almost overnight?

Owners of British bank deposits worth nearly \$12,500,000,000 found nearly a third, i. e., \$4,000,000,000—I estimate—wiped out overnight. With all our losses in this country's bank suspensions, no such figure as this will ever be reached. Of our \$56,000,000,000 in deposits, only some \$5,000,000,000 has been tied up for liquidation in bank failures, and less than a third of this will be seen to be lost when the liquidation of our suspended banks is completed.

A little more than a billion lost to Americans in unit banking, or about 4 per cent, while Britishers have lost \$4,000,000,000, or about 30 per cent. And the end of British currency depreciation is not yet!

Meanwhile millions of Americans in the vast majority of our banks have 100 per cent of their money on deposit—safe, available—theirs when they need it most, and it is worth more to them than ever before in buying power, a genuine reward for their thrift.

Branch banking was inevitably a factor in the breaking of the Bank of England. Mismanagement of British public finances was paralleled by a banking system in which deflation could not be localized, as it has been in the United States. The pyramid of centralized banking and finance could only be readjusted by the disaster of currency revaluation.

Why substitute any step toward this discreditable system for the safety which 20,000 unit banks have given 120,000,000 Americans?

This is the dark side of the "no bank failure in England or Canada" argument.

#### FRENCH-GERMAN BREAKDOWNS OF BRANCH BANKING

Similar disasters have overtaken the French and German branch-banking systems. Branch banks with more than 200 branches have closed in France, quite exploding the idea over there that branch banking is failure proof, while other branch systems have had to be helped by the French Government. In Germany the centralized branch-banking system has broken down entirely, and is now almost wholly subsidized by the German Government. (See current April edition of *The National Sphere*, Washington, D. C., under Failure of Branch Banking in Germany.)

#### BRANCH BANKING MEANS CENTRALIZATION AND INCREASE OF WALL STREET DOMINANCE

However, the dismal example of the failure of branch banking in the British Empire, France, and Germany is only one of the full truths which should make you hesitate a long time before you attempt to justify the octopus idea to your constituents.

What is to be the effect upon your communities when a lending policy rationed from Wall Street dictates the uses to which the funds saved by your people shall be put?

Make no mistake. This is what the advocates of branch banking were aiming toward in 1926 when they "strengthened" the banking system with the branch-banking privilege for the first time. It is what they are aiming at now.

Do you want your communities starved for credit? Oh, we know that your British and Canadian branch bankers deny that their systems work that way. But they do not tell you that in a section of Alberta the dairymen are using creamery checks for money and that in many parts of Canada, where there is still hope for local expansion, a substantial body of public opinion thinks highly of the unit-banking system of the United States.

#### COUNTRY-BANK MANAGEMENT COMPARES FAVORABLY WITH FINANCIAL CENTERS

After our experiences of 1929-1931 we should have no illusions about city-bank management being safer per se than small-town banking. The hundreds of millions of dollars—the figure for charge-offs for 19 large banks in the last 12 months is \$207,310,634—lost by New York City banks alone should serve as evidence that city-bank management has much to learn. Only the fortuitous accident of huge stock-market profits through sale of their shares at boom prices gave these city banks capital resources to stand the losses that they have announced to their shareholders. And hundreds of unfortunate country banks will testify that they lost most heavily, where they could least afford it, in bonds recommended for their vital secondary reserve accounts by their big-city correspondents.

The 18,000 or 19,000 small-town banks of this country which have managed their affairs so well as to ride the storms of the times unshaken are open challenges to the superiority of city-bank management.

Many of the smaller banks that failed are ghastly victims of the investment advices and called loans given them by city banks.

Yet all but a few of these 18,000 or 19,000 good small-town banks are doomed as surely as the branch-banking illusion gains ground.

Inevitably any further extension of branch banking means an irretrievable step toward putting the key banking resources of your community more at the disposal of the big financial centers and the stock markets. There is no alternative.

How easy and inevitable you will make the administration of your State's banking from Wall Street if you vote to permit national banks to have branches everywhere in every State.

Do you, Mr. Member of Congress, want this?

Your vote on the Glass bill, as long as it contains the present branch-banking provisions, will be the only answer your constituents need.

In the solid faith of 96 years of service to the banking profession that independent banking is better banking,

Faithfully yours,

C. B. AXFORD,  
Editor American Banker.

Mr. FLETCHER. To-day I am receiving dozens and dozens of telegrams and letters from national banks and from State banks in my State, and from other States, favoring branch banks, approving of the idea, and asking me to support the Glass bill just as it is, section 19 and all other provisions included.

Mr. WAGNER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from New York?

Mr. FLETCHER. Certainly.

Mr. WAGNER. Because I know the Senator has given much thought to the question, I would like to get his view as to the fairness of certain portions of section 5 of the bill. The Senator remembers that in 1917, I think it was, the Federal reserve act was amended so as to invite into mem-

bership the State banks. In that provision of the law it was stated that they should continue to enjoy all the charter rights which they then enjoyed under the State law. To me that seems a sort of promise made to the State banks that when they became members they would continue to enjoy those charter rights.

Under section 5 of the pending bill restrictions are now imposed or there is a prohibition of privileges which they now enjoy under their State charter. It does not seem to me that is a fair provision.

Mr. FLETCHER. To what particular provision does the Senator refer? The provision is:

Nothing herein contained shall prevent any such member bank from establishing and operating branches in the United States.

Mr. WAGNER. I had not in mind the branch-banking feature. I refer particularly to section 5, on page 8:

State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph seventh of section 5136 of the Revised Statutes, as amended.

Some of those rights the banks enjoy under their charters from their respective States. Under the law which we enacted we said to them, "You may join this system and continue to enjoy these charter rights." It seems to me, unless there is some very definite explanation for it, that it is a sort of a breach of a promise in now depriving them by prohibition law of the exercise of those charter rights.

Mr. FLETCHER. I think the Senator will admit that the State member banks, when they come to enjoy the rights and privileges under the Federal reserve system, must be subject to the same regulation as the regular member banks in the system.

Mr. WAGNER. But they are not at the present time.

Mr. GLASS. Oh, yes; they are at the present time; and they are required to be under the existing statute and under the original Federal reserve act. It was meant that they should enjoy their charter rights where not in conflict with the rules and regulations established by the Government for national member banks.

Moreover, the Senator from New York has not related this provision of the law to the other provision of the law to which it refers. It refers to another provision of the Revised Statutes, which is amended by section 14 of the bill, stating that their operations "hereafter" must be such operations as the Federal Reserve Board shall determine by rules and regulations adopted.

Mr. WAGNER. If the Senator from Florida will indulge me for another moment—

Mr. FLETCHER. Certainly.

Mr. WAGNER. I do not know what the Senator means by the intention of the original Federal reserve act. The Senator from Virginia is a greater authority upon that subject than anybody I know of, but the act itself simply says that they may join and continue to enjoy their charter rights under the State charter. That is as I recall the language of the act. If now we prohibit them from enjoying some of those charter rights granted to them by the States, we are to that extent, it seems to me, breaking with these banks the promise that was originally made by statute. Am I correct about the wording of the act?

Mr. GLASS. As a matter of fact, if the Senator from Florida will permit me—

Mr. FLETCHER. I yield.

Mr. GLASS. When the Federal reserve act was enacted there had not grown up and expanded to a tremendous degree what are now known as bank affiliates, investment affiliates, with their consequent abuses, and, as former Solicitor General Lehmann points out, with their irregular and illicit transactions. We are now proposing in this bill to deal with this Frankenstein in banking, and we are saying that hereafter State member banks shall be upon the same plane of equality and shall be subject to the same restrictions that apply to national member banks. That involves no violation of faith whatsoever with State

member banks. If there be any State member bank that is not willing to comply with that requirement of the law, it is its privilege to get out of the system.

Mr. WAGNER. Mr. President—

Mr. FLETCHER. I yield.

Mr. WAGNER. The case which I have in mind, which was communicated to me, was a case in which an affiliate was actually in existence at the time the statute was passed by Congress and developed by this particular bank. Under the amendment of 1917 we said to that bank, unless I am mistaken about the language of the act—and perhaps the Senator will read it—

Mr. GLASS. Here is the act.

Mr. WAGNER. Very well; if the Senator will read it, it may clear up the point.

Mr. GLASS. Note the qualifications, if the Senator please:

Subject to the provisions of this act and to the regulations of the board made pursuant thereto, any bank becoming a member of the Federal reserve system shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted to it by the State in which it was created, and shall be entitled to all privileges of member banks.

Mr. WAGNER. I think that carries out what I said.

Mr. GLASS. I do not think so.

Mr. WAGNER. A promise was made subject to certain regulations.

Mr. FLETCHER. And subject to the provisions of the act.

Mr. WAGNER. Now, it is proposed to go further.

Mr. GLASS. And subject to the reservation of the act that Congress reserved the right to alter or amend it at any time it might please. That is the right that we are proposing to exercise.

Mr. WAGNER. There is no use of my quarreling over the question of interpretation, but I do not agree with that interpretation at all.

Mr. FLETCHER. Mr. President, of course the Senator from New York is not only a distinguished and able Senator here but he comes from the judicial bench, and I can see how there might be some difficulty in satisfying him on that subject. I will not attempt to argue the case now, because I have other questions to discuss, and that might lead to unlimited debate. At any rate, it must be conceded that the Congress has power over all the national banks that are members of the Federal reserve system as well as over all the State banks that are becoming members or have become members or may become members of that system. I can not conceive that Congress would be justified in admitting State member banks and allowing them to have certain rights and privileges because of State laws that the national banks which are members of the system do not possess under the Federal statute. That would be a clear discrimination in favor of State banks that might become members. It might permit them to do what no other members of the system could do. All members of the system should be controlled by the same laws. I have not heard of any particular complaint—perhaps the Senator from New York has—that any of the State member banks are being denied any rights that they claim to exercise under State law by reason of this provision in this bill. Anyway, I think that any State bank becoming a member of the Federal reserve system must know, must have known at the time, and must always have known that it is subject to the jurisdiction of Congress just as are the national-bank members of the system. We must retain the same control over all the member banks of the system. Of course, if there is any right or privilege they have under a State law which they claim is being taken away from them by this statute, as the Senator from Virginia suggests, they have a perfect right to withdraw and get out of the system; but, so long as they remain in the system, State member banks must be subject to the same control and regulation to which the national member banks in the system are subject.

I was saying, Mr. President, that I had received to-day numbers of telegrams not only from Florida but from other

portions of the country, and, contrary to the telegrams received yesterday, strongly favoring the branch-bank provision, they are urging the support of this bill just as it is. They favor the bill with section 19 in it. I think it is a very important piece of legislation, and I think Congress ought to enact it at this session. It is needed for the good of the country. The bankers need it. Some of them, as indicated by the testimony before the committee, did not seem to realize just what they themselves needed. They changed their views and attitude on various questions from time to time, but they have come to the conclusion that the financial situation of this country and the economic conditions prevailing are such that they need this proposed legislation.

One point I make with reference to branch banking is that, in my judgment, it will improve the safety of the deposits; it will safeguard and better protect depositors than they have been protected in the past. That is indicated by the figures. I have here a statement from the Federal Reserve Board under date of January 4, 1932, which states that in the year 1931 the total number of suspensions was 2,290 involving deposits of \$1,759,000,000. The national banks which failed numbered 410, with deposits of \$173,000,000. The State bank members of the Federal reserve system which failed numbered 108, with deposits of \$302,000,000. The nonmember banks of the number which suspended were 1,772, with deposits of \$984,000,000.

Those are the small unit State banks which are not in the system. It was stated this morning that the number would run up to quite a large figure, but that the amount on deposit, the volume of their business, was the main thing to consider. Very well, out of 2,290 failures in 1931, 1,772 were State banks, composed largely of what are called unit banks, and the amount of deposits in those banks was \$984,000,000. I can not see but what that is a very considerable sum to be involved.

The depositors of this country in 1931, many of them poor people with from \$5 up to \$500 perhaps on deposit, lost practically \$2,000,000,000, the figure being \$1,759,000,000 as of January, 1932. Some of this may come back in small dividends, running over long periods. We must do something to remedy that situation, and I believe we will strengthen the banking system, we will make it more safe for the depositors, if we will permit the establishment of branch banks. They will have back of them the capital that is required. We have in this bill increased the capital required of national banks. Under this bill we are not dealing with the little banks with \$10,000 capital such as are now located in various parts of the country and to which the people carry their money in small amounts for deposit on which they try to do business. They ought not to be banks at all; they ought never to have been established with any such capital, in my judgment. The branch banks will have back of them ample capital, expert management, and resources that will accommodate the communities where now the small unit banks are unable to do so.

Mr. DILL. Mr. President—

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Washington?

Mr. FLETCHER. I yield.

Mr. DILL. The Senator has given us the figures as to the number of State banks which failed as compared to the member banks of the Federal reserve system which failed. Has the Senator made any compilation to show what percentage of the State banks that failed were in States that have branch banking now as compared to the number of failures in States that do not now have branch banking?

Mr. FLETCHER. I think most of them are in States that permit branch banking, because my recollection is there are only comparatively few States that do not permit branch banking.

Mr. DILL. Then, the branch-banking system has not prevented failures; the branch-banking system has proven ineffective to prevent failures, and they are as common in States where branch banking is permitted as in States where branch banking is not permitted?

Mr. FLETCHER. Does the Senator refer to branch banking carried on by State banks in the States?

Mr. DILL. Yes.

Mr. FLETCHER. In that case, that is because the States have generally only required \$10,000 in order to capitalize a bank. They are small institutions.

Mr. DILL. But the Senator is proposing that by Federal statute we shall give the banks members of the Federal reserve system such power that we will, in effect, bludgeon the States into adopting branch banking everywhere. That is what the effect of it is.

Mr. FLETCHER. I differ with the Senator there. My idea is to strengthen the system, to require increased capital and increased resources for the branches under this plan, as authorized by the Federal Reserve Board, which will make the business safe and more active. That is my notion about it.

Mr. DAVIS and Mr. BLAINE addressed the Chair.

The VICE PRESIDENT. Does the Senator from Florida yield; and if so, to whom?

Mr. FLETCHER. I yield first to the Senator from Pennsylvania.

Mr. DAVIS. The Senator a moment ago referred to section 19. Do I understand that under section 19 any bank in the State of Pennsylvania having a capital of \$500,000 can establish branch banks in any community throughout the State?

Mr. FLETCHER. Yes; with the consent of the Federal Reserve Board, and provided it supplies sufficient capital, just as if another bank were being established.

Mr. DAVIS. Then, the following paragraph, being paragraph (d), I do not quite understand. It says:

(d) The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated.

Does that mean that a branch bank must have a capital equal to that of the banking houses that are already established in that community?

Mr. FLETCHER. No; equal to the capital of a new institution. For instance, suppose the law requires a bank to have \$100,000 capital before it can be chartered and open up and do business; and suppose a large bank wishes to establish branches in different parts of the State. It must supply \$100,000 capital for each of those branches just as if it were establishing a new bank. Each branch must be capitalized to the same extent as if it were a new institution.

Mr. BLAINE. Mr. President—

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Wisconsin?

Mr. FLETCHER. I yield.

Mr. BLAINE. The Senator from Washington [Mr. DILL] made an inquiry of the Senator from Florida. Let me call the Senator's attention to the fact that according to the report of the Federal Reserve Board of December, 1930, there are only 10 States which authorize state-wide branch banking, and that in 2 of those States 2 of the most serious failures occurred. A whole line of banks went down. There are only 12 States which permit branch banking in restricted locations; and in 2 of those States, as the Senator will recall the testimony before our committee, 48 banks belonging to one of these groups went to smash in one day.

I rather assume that in the face of this report and the facts which I expect to develop, there really is nothing to the contention that bigness means strength in banking. It may mean weakness.

Mr. FLETCHER. I am much obliged to the Senator. That supplies information which I did not have in my mind at the time; but it rather meets the argument of the Senator from Washington by showing that branch banking in the States has not been as successful as he supposed it might be. That is to say, the failures that have taken place are very largely in States that did not allow branch banking, because only 11 or 12 States permit it. I had an impres-

sion that most of the States did permit branch banking, but it seems not.

Notwithstanding the restrictions as to branch banking, failures have been taking place all over the country. The number of national banks is 6,480 and the number of State banks 21,500. Of course, when we count the number of failures we expect to find more among the State banks, but according to this report from the Federal Reserve Board the deposits in these local State banks outside of the system amounted to \$954,000,000 last year.

That is a serious thing. People are not so much interested in interest or returns or advantages of a bank as they are in the one thing—they want it to be safe. That is what they want and that is what they ought to have.

Mr. BLAINE. Mr. President, will the Senator tolerate another interruption on that very point?

The VICE PRESIDENT. Does the Senator from Florida further yield to the Senator from Wisconsin?

Mr. FLETCHER. I yield to the Senator.

Mr. BLAINE. I want to beg the Senator's pardon. It was not my purpose to criticize or question the information, but I find upon an analysis of the Federal Reserve Bulletin of April, 1932, that in the 11 years preceding—that is, 1921 to 1931, both inclusive—the total amount of deposits in banks that go through liquidation after deducting the amount of deposits with respect to both classes where the banks were reorganized is about the same for nonmember banks as for member banks. In fact, the difference is less than half a million dollars. I have made a calculation, and I shall be glad to give the information a little more extensively when I discuss the matter.

Mr. FLETCHER. I am much obliged to the Senator. That bears on that subject.

I am anxious to close, but I will refer to one thing further.

Speaking about States that do not permit branch banking, what happens there? The national banks, contrary to what I have always thought was not allowable until I began to inquire into the matter and find that it has been established as a general practice, organize these holding companies, and then they establish what in effect is a branch in any portion of the State that they like. Although the State law does not permit branch banking, the national banks are doing that thing under the name of affiliates. They organize a holding company, and then they establish local banks in various parts of the State under the name of the parent bank—the national bank of such and such a locality. They give the name of the affiliate the name of the bank, adding the name of another locality, and they are organizing these affiliates and are doing a banking business in various communities of the States which do not permit branch banking. They are doing it under that authority and power which the Senator from Virginia has claimed were contrary to law as laid down by the Solicitor General, but they are doing it.

So, when we provide in this bill for branch banking, we are not adding to the privileges of national banks in the States where no branch banking is permitted. They are doing that thing under the name of affiliates to-day, and I think it is better to have them real, legitimate branches. In the case of affiliates, the depositors have no protection beyond the organization there, which is made up generally of clerks of the parent bank, and it has not the double liability and protection that would attach to a branch bank.

The system now in practice in the States where branch banking is not permitted, and in other States as well—they do it everywhere—is to establish these affiliates, which are much weaker than the branch banks would be. They have not the responsibility back of them, they have not the resources back of them, and they are not as adequate as a branch would be. So that we are not harming anybody here. We are benefiting the whole system and benefiting the public by permitting the establishment of branches instead of the organization of affiliates in which they now indulge.

I think that in those cases these affiliates will have to separate from the parent bank within three years, anyhow. They will be converted into branches. The banks that organized the affiliates would prefer to have them as branches, and this bill would allow that. I think that would improve the system. We would get rid of a lot of affiliates in States where branches are not allowed and in States where they are allowed by providing for the establishment of branch banks; and, altogether, I think it would improve the situation generally.

I feel very sincerely that this bill is a very important bill and that it ought to pass the Congress as speedily as possible.

#### INCREASE OF FIRST-CLASS POSTAGE

Mr. COPELAND. Mr. President, John Howie Wright, editor of the Postage Magazine, of New York City, released to the press to-day a statement in which he took issue with the contention of the United States Post Office Department in its claim that an increase of 1 cent per ounce in first-class postage will result in an increased revenue of \$134,000,000. Mr. Wright states that, on the contrary, the result of the proposed increase will be a loss in revenue of \$50,495,000, because of the diversion of first-class mail to other classes and the inability of business to stand the increased burden of \$10 per thousand additional cost which the 1-cent increase will mean.

The entire matter is of such vital importance to the people of the State of New York, as well as to other great centers of the country, that I believe the Members of the Senate should have the advantage of reading the letter which Mr. Wright has addressed to me, and which he wrote in reply to a letter sent to me on the same subject by the office of the Postmaster General on April 29.

I therefore ask that this statement, the correspondence, and the figures attached thereto be printed in the RECORD and referred to the Finance Committee.

There being no objection, the statement was ordered to be printed in the RECORD and referred to the Committee on Finance, as follows:

STATEMENT MADE BY JOHN HOWIE WRIGHT, EDITOR OF POSTAGE MAGAZINE, NEW YORK CITY, RELATIVE TO PROPOSED INCREASE IN FIRST-CLASS POSTAL RATES

The attached correspondence and chart reveal that the estimate of \$134,000,000 increase in postal revenue as the result of the proposed increase of 1 cent in first-class mail was obtained by using the 1930-1931 postal receipts as the basis of computation. Current postal revenue, however, has decreased between 17 and 20 per cent. Revised figures for 1932 income will show that there has already been a shrinkage of more than a billion and a half pieces. This must be taken into consideration before any estimate can be made on the possible decrease in volume due to increased mailing cost.

Mr. Wright estimates that the total revenue during the fiscal year of 1933 on first-class mail will be \$269,339,000 instead of \$453,751,000, if the 3-cent rate is approved. Instead of an increase of \$134,000,000 in revenue over 1931 volume, he predicts a decrease of \$50,000,000.

The correspondence attached, together with accountants' chart of comparative effects, explains in detail the method of arriving at the estimate.

POSTAGE AND THE MAILBAG,  
New York City, May 7, 1932.

Hon. ROYAL S. COPELAND,

United States Senate, Washington, D. C.

MY DEAR SENATOR COPELAND: I am very glad to have the opportunity of answering the letter from the office of the Postmaster General. I have been connected with mail advertising for over 20 years; with this magazine since 1917. I have watched the growth of the use of the mail service by business men, and I believe that I am qualified to represent the users of the mail in protesting against an inaccurate analysis of fact and figure.

Paragraph (b): Estimate is based upon volume of first-class mail during year ending June, 1931. What has been the shrinkage since then? Every month postal receipts have been showing a drop—even in December, the peak month. Analysis of letter production and printing business, together with a comparison of shrinkage in newspaper and magazine lineage advertising, would indicate a reduction in business (or selling) first-class mail of at least 20 per cent. Possibly more. Mr. Brown could give you the accurate figure. What is the present volume?

Leaving out the \$37,500,000 overpaid first-class mail in which there may have been no shrinkage, the normal volume in June, 1931, was \$282,334,353. Mr. Brown knows, or should know, that there has been a terrific shrinkage in business mail—in sales

letters. At the present rate of business it is safe to say that mailings are off 20 per cent, representing in round figures about \$56,000,000. This leaves a balance from above of \$226,334,353 of present yearly first-class flow, or in round figures about 11,300,000,000 pieces of first-class mail bearing 2-cent stamps, excluding all the overpaid ounces. Increasing 1 cent per piece, where could Mr. Brown develop \$159,000,000 increase?

Paragraph (c): Mr. Brown states that "much" of the advertising matter now being sent first class would be diverted, and yet he figures in paragraph (d) that this would represent 1,200,000,000 letters. Does Mr. Brown know how much of the volume is represented by advertising letters? Close to 70 per cent of the first-class mail is business mail described in brief attached. Does Mr. Brown know that banks will reduce statement mailings by asking depositors to call; public-utility companies will deliver by meter readers; acknowledgments will go by post card instead of letters? These are simple routine business economies. But does Mr. Brown know from contact with mail selling, the place of the letter in selling? Does he realize that there are approximately 2,500 commercial organizations in the United States producing personal form letters for clients? It can safely be estimated that around 40 per cent of first-class mail is selling literature (sales letters, inquiry letters, contact letters, follow ups). Mr. Brown can not estimate the loss of volume unless he recognizes the value of the letter to business men and the accepted place of the letter in business (at a carrying charge of \$20 per thousand).

Paragraph (d): From our survey of business mail users we know that the "diversion" will be greater than a casual 1,200,000,000 letters. We know one company that has already diverted a schedule of 6,000,000 letters in anticipation of the raise. Another individual company has informed me of 1,000,000 letter diversion. If you can find time, read only a few of the serious letters from our great business mail users giving their estimate of diversion. Mr. Brown will lose one-half or more of the present sales letters.

Forty per cent of the present estimated flow would be four and a half billion pieces. A 50 per cent drop would represent two and a quarter billion pieces taken out of the mail. And we can safely predict that necessary economies in normal business use of the mail (the difference between 40 and 70 per cent) will show another 1,000,000,000 drop. I could show you volumes of evidence to support that claim.

To substantiate this claim we can point out that when third-class rates were raised around 1924 the department lost 1,000,000,000 pieces when the increase in rate for the weight carried was only a small percentage of the fraction of increase which is now threatened in first class, and the effect of the present raise is so much more far-reaching, reaching out to every possible business user of the mail. Third class was at that time largely limited to mail-order houses.

Another example:

The Post Office Department should not forget the experience of the department in increasing the rate on private mailing cards in 1925 from 1 cent to 2 cents, in the belief that whereas they were getting \$10,000,000 they would thereafter receive \$20,000,000, and the fact that in actual operation, instead of getting \$20,000,000 they lost \$6,000,000 of the \$10,000,000 they had been receiving.

How can Mr. Brown justify, in all fairness, his estimate of 1,200,000,000 shrinkage with his remarks made October 18, 1930, before the Post Office Appropriation Committee in connection with second-class mail?—

"Increasing the second-class rates will not increase revenue, but will simply drive the business to other carriers that will carry it more cheaply than we will."

Does Mr. Brown think that business mail users (70 per cent the volume of first class) will stand an additional tax of \$10 per 1,000 without a murmur or without trying to find a substitute? Their substitute can be third class, postal cards, or private distributing companies which are already being organized. From these facts, is our estimate of three and a quarter billion decrease too exaggerated? I do not think so. Our future annual flow is now down to, roundly, 8,000,000,000 pieces.

Now, let us multiply this figure by 3-cent postage rather than multiply present volume by 1 cent. What happens? The 8,000,000,000 pieces produce \$240,000,000, which is just \$14,000,000 more than present flow estimates from straight 1-ounce pieces. This difference can sink lower and very likely will sink below present volume if the experience in postal cards is any criterion and if business is made more chaotic by intolerable taxation.

Paragraph (e): We are glad that Postmaster General Brown realizes the possibility of shrinkage below 1931 volume. Why does he leave out the 1932 experience? Does Mr. Brown realize that this \$10 per thousand tax for doing business by mail will make business even more chaotic?

Does Mr. Brown realize that a reduction of at least three and a quarter billion pieces of first-class mail means three and a quarter billion less envelopes to be manufactured, sold, distributed, typed, stamped, and mailed? Three and a quarter billion inclosures, involving the time of dictation, transcribing, printing, providing wages to stenographers, typographers, artists, engravers, employees engaged in manufacturing ink, type, and all the allied trades?

Will this help business? Will this increase the postal volume? Your correspondent has not overlooked the fact that "overweight" mail will be even more unjustly taxed. We also realize that the extra tax of 1 cent each will make C. O. D. envelope

mailings (Postal Laws and Regulations, 384½) practically prohibitive. We know that even now all major companies are taking steps to eliminate overpaid mail. Mr. Brown's figure of 1,875,000 ounces will shrink in half. Instead of \$36,000,000 revenue, he will be fortunate to get, at 3 cents, a \$25,000,000 total.

Add this to our new figure of \$240,000,000 and you have \$265,000,000 total first-class revenue for 1933, which is a far cry from the 1931 volume of \$319,834,353.

That is why, Senator COPELAND, the users of the mail have fought to be heard. We have sought to show that it is unfair to the Senators and to the public to let go unchallenged the Post Office Department's promised increase of revenue of \$135,000,000, when it is a fact that first-class dollar revenue will be lower under 3-cent postage than it is now.

The impressive figure of \$135,000,000 is fictional.

If the rate is passed, it will be another deterrent of business recovery; a nuisance tax against the source of getting business. It will be an injustice against business.

I want to thank you for the evidence of your sincere interest in knowing the facts. And I pledge you my earnest support if you can aid in stopping this ill-considered legislation.

Sincerely yours,

JOHN H. WRIGHT, Editor.

OFFICE OF THE POSTMASTER GENERAL,  
Washington, D. C., April 29, 1932.

Hon. ROYAL S. COPELAND,

United States Senate, Washington, D. C.

MY DEAR SENATOR COPELAND: The Postmaster General has asked me to acknowledge receipt of your letter of April 26, transmitting a communication addressed to you by Mr. John Howie Wright, editor Postage and Mail Bag, New York, N. Y., in which the writer takes exception to the estimate of the Post Office Department as to the amount of additional postal revenue that would result from increasing the letter rate of postage from 2 to 3 cents for each ounce or fraction thereof.

The estimate is essentially based upon the volume of postal business handled during the fiscal year 1931. During that fiscal year the computed total revenue from letter mail was \$319,834,353.01. Assuming no diversions to other classes of mail and no loss in business, a 50 per cent increase in the letter rate of postage would produce \$159,917,176.50 additional revenue.

But such an increase in the letter rate would inevitably result in diversions and loss of business. Much of the advertising matter now being sent out under cover of sealed envelopes at first-class rates would no doubt be diverted to the third class or to postal cards or post cards, and in all probability a 3-cent letter rate would have the effect of reducing materially the number of business letters written, perfunctory acknowledgments, follow-up letters, and good-will letters.

In computing the probable increase in postal revenues that would result from the 3-cent rate, it was assumed that there would be a reduction of 1,200,000,000 letters, of which 1,000,000,000 would be diverted to postal cards, post cards, or third class, and the remaining 200,000,000 would be lost from the mails. The net increase in revenue in that case would be \$133,917,176.50, which was stated in round numbers as \$134,000,000.

The accuracy of this estimate depends largely upon whether business generally in the fiscal year 1933 may approximate that of the fiscal year 1931. To whatever extent it may be more or less favorable the amount of increased revenue from the proposed 3-cent letter rate may be expected to vary proportionately from the original estimate.

Your correspondent has evidently overlooked the fact that the proposed increase in letter rate is 1 cent for each ounce or fraction thereof, and not simply 1 cent for each letter. In the fiscal year 1931 the postage weight of letter mail in addition to the first ounce was approximately 1,875,000,000 ounces, on which an additional revenue of 1 cent per ounce would have produced \$18,750,000 additional revenue.

Mr. Wright's letter to you is inclosed herewith.

Very truly yours,

HAROLD N. GRAVES,  
Executive Assistant to the Postmaster General.

#### Comparative effect of 3-cent postage

##### PART I

The Post Office Department's own figures, showing basis of computing increased revenue.

All figures based on 1930-31 fiscal year revenues.

Total 1930-31 first-class revenue was..... (A) \$319,834,353.01  
Deduct all revenue from over 1-ounce mail..... \$37,500,000.00

Leaves all revenue on straight 1-ounce mail at 2 cents..... \$282,334,353.01

Deduct Post Office Department's own estimate of shrinkage of 1,200,000,000 pieces due to 1-cent increase..... \$24,000,000.00

Balance of income at old rate of 2 cents..... \$258,334,353.01

Reduce to number of straight pieces to be mailed under 3-cent rate..... 12,916,717,655

Add overweight ounces.....	1,875,000,000
Total 1-ounce units.....	14,791,717,655
A 1-cent increase on each piece would gross.....	\$147,917,176.55
Deduct from this the 2-cent loss on each of the 1,200,000,000 pieces withdrawn from first class.....	\$24,000,000.00
Net increase on first class.....	\$123,917,176.55
Add (by Post Office) the 1,000,000,000 pieces estimated as diverted to third class at 1 cent each.....	\$10,000,000.00
Total Post Office estimate of increase..... (B) \$133,917,176.55	
Post Office estimate of total revenue on first-class mail at 3 cents per ounce (by adding A and B).....	\$453,751,529.56

##### PART II

Post Office Department did not correct figure on first-class volume to coincide with current shrinkage. Present volume is about 20 per cent lower than volume in 1930-31 fiscal year.

1930-31 first-class volume..... \$319,834,353.01  
Deduct revenue from over 1-ounce mail..... \$37,500,000.00

Leaves 1931 figure of revenue on 1-ounce pieces... \$282,334,353.01  
Less 20 per cent decrease due to current shrinkage in volume of mail..... \$56,000,000.00

Present volume on straight 1-ounce pieces at 2 cents each..... \$226,334,353.01  
Reduce to number of straight 1-ounce pieces being mailed at the present time..... 11,316,717,650

##### PART III

The advertising industry computes the effect of 3-cent postage by starting with the number of pieces being mailed at present time.

Pieces of straight 1-ounce mail..... 11,316,717,650  
40 per cent of first-class volume is advertising or selling mail. Evidence indicates a 50 per cent decrease, or..... 12,263,243,680

Gross volume, in pieces..... 9,052,973,970  
80 per cent of first-class volume is business mail (statements, collections, routine acknowledgments, etc.). Survey indicates a drop of..... 1,000,000,000

Net volume..... 8,052,973,970

Multiply by 3-cent postage..... \$241,589,219.10

Add revenue from over 1-ounce mail, which Post Office figured in 1931 as 1,850,000,000 pieces. As current shrinkage is 20 per cent, and as banks and commercial houses will cut down overweight pieces, a 50 per cent reduction is logical..... \$27,750,000.00

Total revenue under 3-cent postage..... \$269,339,219.10

Note that Post Office figure for total volume of straight pieces to be mailed under 3 cents after all deductions for reduced use is..... 12,916,717,655

While it is an actual fact that present 1932 volume of straight pieces at 2 cents, without figuring for future diversion, is only..... 11,316,717,650

The advertisers place a fair estimate, backed up by evidence, that volume will be reduced by diversion to..... 8,052,973,970

##### CONCLUSIONS

Post Office figure of present first-class revenue..... \$319,834,353.01  
Post Office estimate of volume of 3-cent postage..... 453,751,529.56

Post Office estimated increase over 1931 figures..... 133,917,176.55

Post Office figure of first-class revenue..... 319,834,353.01  
Advertisers' estimate of 3-cent first-class volume..... 269,339,219.10

Decrease under 1931 figures..... 50,495,133.91

Post Office estimate of revenue with 3-cent postage..... 453,751,529.56

Advertisers' estimate of revenue with 3-cent postage..... 269,339,219.10

The Post Office has overestimated first-class volume by the sum of..... 184,412,310.46

The difference lies in the fact that the Post Office used the 1931 figures, and did not count present business shrinkage, together with wholesale diversions, of 3-cent postage enacted.

<sup>1</sup> Pieces lost or diverted.

<sup>2</sup> Minimum.

<sup>3</sup> Pieces of 1 ounce.

<sup>4</sup> Revenue.

## LEGISLATIVE ANTHROPOLOGY AS APPLIED TO CONGRESS

Mr. COPELAND. Mr. President, I ask unanimous consent to have printed in the RECORD an interesting article entitled "Legislative Anthropology as Applied to Congress."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

## LEGISLATIVE ANTHROPOLOGY AS APPLIED TO CONGRESS—BEING A CHAPTER IN THE SCIENTIFIC STUDY OF MODERN CIVILIZED MAN

(By Dr. Arthur MacDonald, Washington, D. C.)

Legislative anthropology includes the legislative, political (not partisan), sociological, psychological, and physical status of members of a legislature or parliament.

The legislative status is based upon the number of bills, amendments, motions, and resolutions introduced and the number of these reported or passed either house or enacted into law; also upon the frequency of remarks (not length) on the floor, including number of subjects discussed; and also upon the number of appointments and designations. The legislative status is estimated mainly according to the difficulty of bills and resolutions, in passing through the regular legislative stages, up to and including enactment into law.

The political status consists in the political party to which a member belongs and in public offices held and political honors received previous to entering the legislature, also length of service in legislature or parliament.

The sociological and psychological status is concerned with predominant lineage or heredity, place and time of birth (including order of birth), profession, occupation, and degree of education of member previous to entering legislature; also any appropriate psychological tests.

The physical status includes fundamental anthropological measurements of the body, and what is most important, the health or hygienic condition of the member of a legislature.

In addition to the general importance of such data, one purpose is to find whether or not, and if so in what degree, these different statuses are related or depend upon each other and to compare nations as to anthropological status.

## LEGISLATURE BEST ORGANIZATION TO REPRESENT COUNTRY

The physical measurements of members of a legislature represent the anthropological status of the whole country better than measurements of any other body of men. More important still, these measurements can be a basis for the health of the nation, one of its greatest assets. The examination of members of a parliament by specialists includes the stomach, heart, lungs, ear, nose, throat, genito-urinary organs, nervous system, skin and hair, blood, and eyes, X-ray and general physical examination, each by a different specialist.

## MEMBERS OF CONGRESS AS AN OBJECT OF SCIENTIFIC STUDY

The Members of Congress are not only of special interest politically but scientifically. As chosen servants of the people, they have great importance; for coming from all sections of the United States, they are truly representative, and afford a good opportunity to establish an anthropological status of our country. It would be impracticable to study thousands or more of the adult population in all sections of this country. So, mathematically speaking, for purposes of research we can regard the 500 or more Members of Congress as representing the Nation. If Congress will set the example, it will help other countries to begin similar studies of their legislative bodies, until eventually we can establish a comparative anthropology of modern legislative man, and be able to distinguish between statesmen of different states and nations as to their general legislative and anthropological status. It is also probable that where the physical status of the legislature of a nation or state excels that of another nation or state, the general physical condition of that country or state itself is superior.

In Table 1 are given anthropological measurements of 89 Members of Congress, including length, breadth, and height of head, with estimates of cranial capacity and brain weight; also stature, sitting height, arm reach, chest girth, and weight; also length and width of face and nose. Then physiological measurements were taken, including hand grasp; also disagreeable, uncomfortable, and threshold of pain pressure on the temples; also sociological data, giving educational status, predominant lineage, occupation, and place and time of birth.

## SIGNIFICANCE OF BRAIN WEIGHT

In the animal kingdom in at least three-fourths of the cases, and very probably more, the species with the heavier brain show more intelligence, and this is specially striking when we come to man as compared with the lower animals. For as man's intelligence is so much greater than that of the animals, so his brain is correspondingly heavier. Thus in the animals near to man, as the gorilla, the brain weight is from 400 to 500 grams (14 to 17 ounces), while in man it is from 900 to 1,800 (31 to 63 ounces) or more grams, certainly a prodigious rise or, rather, jump, the average for man being from 1,350 to 1,450 grams (47 to 51 ounces).

These comparative brain weights, especially in man, refer to groups and not to individuals; and here let me, once for all,

caution the reader as to a very common error; that is, because Congressman A has a heavier brain than Congressman B it does not in the least mean that Congressman A is the more intelligent, but it does seem to mean that a hundred Congressman A's, whose average weight of brain is greater than the average brain weight of 100 Congressman B's, are the more intelligent in at least three-fourths, and probably more, of group instances. In short, it is the general trend in the animal kingdom that brain weight and intelligence go together; there are exceptions, but they are comparatively so few as to prove the rule. But when we come to man, individuals vary so that no conclusion can be drawn as to this or that person. Yet after all is said, a heavy brain, especially in relation to body build or weight, is a favorable sign. The elephant has a weight of brain more than twice that of man, but in relation to his body weight he is as 1 to 500, while man's weight of body is to his brain weight as 36 to 1. The brains of about 100 distinguished persons have been weighed and studied, and in the great majority of cases the weight is distinctly above the average, and here again the exception only tends to confirm the rule, or general trend. Many of the exceptions cited of large brains and little wit are pathological, and are necessarily excluded from consideration, as in the case, for instance, of idiots and imbeciles, some of whom have large brains.

In his study of 20,000 Washington school children some 30 years ago the author found that for each age the average head circumference of the positively bright children was distinctly greater than that of dull children of the same age; and as the numbers were large, this could hardly be accidental.<sup>1</sup>

## METHOD OF ESTIMATING BRAIN WEIGHT

After permission for an autopsy is obtained, and as soon after death as possible, and before rigor mortis has set in, each case is measured just as on the living, and then the brain is removed and weighed; then the estimated weight is compared with the actual weight and the difference is noted. In about half of the cases the estimated weight is more than the actual weight, and in the other half less than the actual weight; so that the average of a number of cases of estimated weight can be determined approximately, because the too-muchs and too-littles cancel each other. Thus from outside head measurements of the 18 Members of the delegation from Massachusetts, for instance, their average weight of brain can be found approximately.

In estimating the brain weight of the 89 Members of Congress, from outside measurements of the head, the following equation was used, called the "Lee formula," which gives the cranial capacity and is written:

$[(\text{Head length}-11) \times (\text{head breadth}-11) \times (\text{head height}-11) \times .000337] + 406.01$ . In order to get the weight of brain from the cranial capacity, we use Welcker's formula thus:

## WHEN CRANIAL CAPACITY RUNS—

From 1,200 to 1,300 cubic centimeters multiply by .91=	} = Brain weight in grams.
From 1,300 to 1,400 cubic centimeters multiply by .92=	
From 1,400 to 1,500 cubic centimeters multiply by .93=	
From 1,500 to 1,600 cubic centimeters multiply by .94=	
From 1,600 to 1,700 cubic centimeters multiply by .95=	

To illustrate, let us figure out the brain weight of Congressmen. As, for instance, his length of head is 201 millimeters (8 inches), width of head 152 millimeters (6 inches), and height of head 146 millimeters (5 inches). Applying the equation given above, we have:

$[(201-11) \times (152-11) \times (146-11) \times .000337] + 406.01 = 1,625$  cubic centimeters (98 cubic inches), which is the cranial capacity of the Congressmen. Looking at Welcker's table above, we find that to obtain the brain weight of one with a cranial capacity of 1,625 cubic centimeters, we must multiply this by .95, which gives 1,543 grams (54 ounces) as the estimated weight of this Congressman's brain. The results for each Member are given in Table 1, column 6.

## HOMOGENEITY OF CONGRESS

In anthropological research the more homogeneous the subject matter, the more trustworthy the results. As will be seen from Table 1, column 29, the great majority (63) of the 89 Members of Congress studied have English or Scotch as their predominant lineage, and those with other predominant lineage show a goodly sprinkling of English and Scotch blood.

Doubtless the 89 Members of Congress measured, as well as Congress as a whole, represent successful Americans in their prime of life, as their average age is 53 years (see col. 1, Table 1). It is to be regretted, however, that a larger number were not studied, yet the 89 that were may be regarded as a random sample of Congress as a whole, for they come from almost all sections of our country, as is shown in Table 1.

<sup>1</sup> See S. Doc. No. 136, 68th Cong., 3d sess., entitled "Man and Abnormal Man."

TABLE 1.—Anthropological measurements of 89 Members of Congress

No.	Head measurements (millimeters)				Estimate of—		Body					Face (millimeters)		Nose (millimeters)		Physiological									Sociological									
	Age	Length	Breadth	Height	Cranial capacity (cubic centimeters)	Weight of brain (grams)	Stature (centimeters)	Sitting height (centimeters)	Arm reach (centimeters)	Chest girth (centimeters)	Weight (pounds)	Length	Width	Length	Width	Hand grasp (kilograms)			Temporal algometer pressure (grams):						Education				Lineage (heredity)	Occupation	Birth (time and place)			
																Right	Left	Both hands	Least disagreeable	Uncomfortable	Threshold of pain	Least disagreeable	Uncomfortable	Threshold of pain	University	College	High school	Common school			Summer	Winter	City	Country
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	29	198	160	145	1,664	1,581	178	92	179	107	210	97	140	32	20	49	39	88	800	1,050	1,500	1,100	1,200	2,450	x	x			French-Dutch-Irish-Scotch-Dutch-English-German-German	Lawyer	x	x	x	x
2	31	184	146	138	1,405	1,306	175	90	174	88	134	102	130	47	32	50	41	91	1,600						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
3	35	186	156	137	1,483	1,379	185	89	193	85	215	97	136	36	21	49	41	90	1,800	1,150	2,000	2,000	1,500	2,100	x	x			French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
4	35	194	152	140	1,527	1,435	182	89	182	89	157	111	126	36	14				850						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
5	36	201	152	146	1,625	1,543	189	95	178	90	167	105	122	42	13				1,600	1,500	2,000	1,700	1,250		x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
6	37	194	150	141	1,520	1,428	172	88	164	86	140	93	124	31	12	28	30	58	1,300	2,050	2,950	1,700	1,950	3,150	x	x			French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
7	38	200	160	142	1,649	1,566	176	89	182	108	220	96	142	34	15	49	46	95	1,950	2,050	2,400	2,600	2,600	2,850	x	x			French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
8	39	191	164	140	1,603	1,523	171	89	166	93		95	142	33	16	25	23	48	1,300						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
9	39	192	152	149	1,593	1,499	176	90	180	89	154	92	130	30	12	43	34	77	1,950	1,700	2,350	1,575	2,100	2,650	x	x			French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
10	41	188	156	144	1,556	1,462	191	97	195	120	228	95	144	33	17	50	45	95	1,000	1,200	950	1,250	1,250	750	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
11	41	196	156	135	1,527	1,435	177	85	183	95	163	100	132	26	14	35	31	66	850						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
12	42	196	151	145	1,576	1,481	173	93	171	93	158	99	126	37	19	35	30	65	1,250	1,700	2,100	1,150	1,750	2,500	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
13	43	200	160	150	1,724	1,655	170	91	177	111	210	92	126	30	22	38	38	78	1,500	2,500	2,300	1,950	2,400	2,200	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
14	44	190	150	145	1,529	1,437	177	84	170	102	181	93	140	29	19	34	29	63	1,600						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
15	44	194	148	138	1,591	1,495	174	82	176	90	150	100	124	37	14	47	38	85	2,300	1,700	1,750	2,500	1,150	2,000	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
16	45	202	157	148	1,693	1,608	183		198	104	200	112	162	33	17				1,650	1,550	1,800	1,400	1,650	1,750	x	x			French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
17	45	202	166	132	1,535	1,443	177	90	181	97	180	95	130	34	13	44	48	92	1,500	2,100	2,600	1,550	2,000	3,150	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
18	45	194	164	140	1,543	1,450	178	92	177	106	195	91	124	33	15				2,000	2,350	2,500	1,950	2,500	2,650	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
19	45	200	142	140	1,482	1,378	171	93	176	100	170	100	134	52	14	39	38	77	2,000	2,350	2,500	1,950	2,500	2,650	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
20	46	196	156	151	1,671	1,587	182	95	183	99	195	99	122	31	16	40	38	78	1,650	1,800	2,450	1,016	2,200	2,800	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
21	46	200	154	145	1,629	1,545	188	91	185	99	165	110	122	46	32	48	43	91	1,600						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
22	46	188	156	140	1,521	1,430	164	87	165	100	179	98	140	40	14	35	32	67	1,000	1,000	1,050	1,100	1,400	1,050	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
23	46	198	150	141	1,545	1,452	178	90	180	92	170	102	124	32	16	45	31	76	2,575	1,650	2,350	2,650	1,250	2,250	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
24	47	190	152	134	1,452	1,350	172	89	172	105	190	97	142	27	19	39	36	75	1,000	1,500	1,550	950	1,200	1,050	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
25	47	194	150	137	1,486	1,382	168	81	164	92	150	115	130	37	15	30	30	60	855						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
26	48	194	158	140	1,657	1,574	177	88	178	116	235	107	148	37	20	55	44	99	1,500	1,800	1,500	2,000	1,700	1,600	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
27	48	196	162	143	1,575	1,480	182	95	182	108	202	111	140	32	17	41	30	71	1,500	1,750	2,400	1,800	2,250	2,300	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
28	49	198	152	141	1,661	1,467	183	95	187	93	168	97	134	37	17	48	42	90	1,600	1,650	2,000	1,450	1,500	2,500	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
29	49	186	156	136	1,475	1,371	177	89	180	93	150	95	132	29	13	30	26	56	1,550	1,700	1,800	1,350	1,600	1,950	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
30	49	192	156	140	1,547	1,454	186	95	190	101	200	96	132	33	16	50	55	105	2,050	2,600	3,600	2,050	2,450	3,000	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
31	50	212	164	151	1,857	1,801	193		211	122	258	118	148	36	23	58	52	110	2,300	1,650	2,300	2,700	1,700	2,700	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
32	50	206	152	130	1,587	1,492	179	84	188	111		103	146	36	22	55	50	105	850						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
33	51	202	156	147	1,675	1,591	179	98	190	100	190	101	132	34	17	30	28	58	1,300						x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
34	50	202	160	138	1,624	1,543	177	88	184	106	167	93	132	32	16	44	38	82	1,000	1,550	1,500	1,100	1,750	1,800	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
35	50	201	150	134	1,506	1,418	181	95	185	107	170	98	126	31	14	36	34	70	3,000	2,760	3,050	2,700	3,200	3,700	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
36	50	194	156	141	1,508	1,473	191	94	199	104	191	93	124	32	18	40	29	69	2,100	1,750	1,500	2,000	1,750	1,950	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
37	50	188	156	134	1,470	1,367	183	93	180	105	200	93	126	33	13	48	45	93	1,700	1,800	1,800	2,000	1,600	1,800	x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
38	50	201	150	141	1,563	1,469	170	84	170	98	180	98	136	36	19	41	32	73	1,750	2,100	1,950	2,000	2,450		x				French-Dutch-Irish-Scotch-Dutch-English-German-German	do.	x		x	x
39	51	200	160	146	1,687	1,602	169	84																										

<sup>1</sup> Lawyers, 56; educators, 5; business men, 12; farmers, 8; physicians, 2; other professions, 8.

## MEASUREMENTS OF MEMBERS OF CONGRESS BY STATE GROUPS

In Table 2 below the 89 Members of Congress, who were measured by myself personally, are arranged according to the usual geographical divisions by State groups, giving their head measurements, measurements for body build, and strength of hand grasp. Also an estimate of brain weights is given for each State group or geographical division.

The west South Central States—that is, Arkansas, Louisiana, Oklahoma, and Texas—show the greatest stature, 179 centimeters (70 inches), and at the same time the greatest brain weights, 1,571 grams (55 ounces); also the greatest length of head, 198 millimeters (8 inches). The next highest in brain weight, 1,525 grams (53 ounces), is shown by Members from the west North Central States—that is, Minnesota, Iowa, Missouri, North Dakota,

South Dakota, Nebraska, and Kansas. These are also high in stature, 177 centimeters. This tends to confirm other studies on larger numbers of a positive correlation of height and brain weight and still higher correlation between length of head and weight of brain. Also the lowest brain weight (1,419 grams, or 49 ounces) has the smallest length of head (191 millimeters, or 7 inches), as indicated in the measurements of the five Members from the Pacific States—that is, California, Washington, and Oregon.

The 13 Members of the east South Central States (Kentucky, Tennessee, Alabama, Mississippi), though having the greatest average brain weight, show the lowest figures for strength of hand grasp (34, 30 kilograms—91, 80 pounds). On the other hand, the five Pacific Coast Members have the greatest hand grasp (76 kilograms—203 pounds) but the lowest brain weight.

TABLE 2.—Measurements of Members of Congress by State groups

Number of Members	States—Members of Congress from—	Average head measurements			Average body measurements					Average hand grasp		Average estimated brain weight
		Length	Breadth	Height	Stature	Sitting height	Arm reach	Chest girth	Weight (lbs.)	Right	Left	
		1	2	3	4	5	6	7	8	9	10	11
11	New England and Middle Atlantic: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania.....	Mm. 197	Mm. 152	Mm. 139	Cm. 174	Cm. 90	Cm. 172	Cm. 91	Lbs. 159	Kg. 35	Kg. 36	Gr. 1,444
20	East North Central: Ohio, Indiana, Illinois, Michigan, Wisconsin.....	195	155	137	176	91	180	99	183	33	33	1,439
16	West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas.....	197	157	142	177	89	178	101	189	39	35	1,525
8	South Atlantic: Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida.....	196	155	140	179	90	180	108	189	37	35	1,472
13	East South Central: Kentucky, Tennessee, Alabama, Mississippi.....	197	155	140	178	86	182	117	191	36	32	1,476
13	West South Central: Arkansas, Louisiana, Oklahoma, Texas.....	198	161	143	179	91	178	100	147	34	30	1,571
3	Mountain: Utah, Nevada.....	195	153	140	175	81	174	100	175	38	32	1,449
5	Pacific: Washington, Oregon, California.....	191	151	141	175	89	177	104	183	40	36	1,419

## TEMPLE PRESSURE MEASUREMENTS OF DISAGREEABLENESS, UNCOMFORTABLENESS, AND THRESHOLD OF PAIN

The instruments used in this study were the usual ones employed in anthropology with the exception of a temple algometer (designed by the author) to measure pain threshold and states up to it.

This algometer consists of a brass cylinder with a steel rod running through one of the ends of the cylinder. This rod is attached to a spring with a marker on the scale; this scale is graduated from zero to 4,000 grams (141 ounces). The brass disk is 15 millimeters (one-half inch) in diameter. The whole instrument is 30 centimeters (12 inches) in length.

In using this algometer it is held in the right hand by the experimenter, who stands back of the subject and presses the disk against the right temporal muscle; then he moves in front of the subject, where he can conveniently press the disk against the left temple, or temporal muscle. As soon as the pressure feels the least bit disagreeable, the amount of pressure is read from the scale, as indicated by the marker. The pressure is gradually and slowly increased, the same words are said to each subject in the same manner, and otherwise the psychological part is made as uniform as possible. As soon as the pressure is felt to be the least disagreeable the amount of pressure is read by observing the marker on the scale.

The subject sometimes hesitates to say just when the pressure becomes disagreeable, but this intellectual factor forms part of the experiment. In fact, there are three inseparable elements in this experiment. First, the idea of disagreeable; second, the feeling disagreeable; and, third, the muscle itself; that is, one mental, one sensitive, and one physical element are all combined and do not exist separated. The intellectual part probably depends mainly upon the general idea of disagreeable formed from disagreeable experiences in life; the disagreeable feeling may be influenced by disagreeable pains and physical injuries suffered in the past. The experiment also is affected by the texture of the muscle itself, its thickness and that of the skin over it.

After the amount of pressure feeling becomes the least bit disagreeable it is recorded for each temple. The experiment is again made to find the least pressure necessary to make an uncomfortable feeling. Here also, as in the first experiment, the intellectual, sensitive, and physical factors are combined in their

influence on the resultant record. With the threshold of pain the same procedure is followed as in the other experiments for disagreeable and uncomfortable pressure.

## INTERPRETATION OF THE PRESSURE EXPERIMENTS

When, for instance, a subject feels a 1,500-gram (53 ounces) pressure a least bit disagreeable and a 2,000-gram (70 ounces) pressure uncomfortable, the difference between these pressures, 500 grams (17 ounces), measures the difference between the disagreeable and the uncomfortable pressure feeling. When the same subject requires 3,000-gram (106 ounces) pressure to have the threshold of pain feeling, the difference between his 2,000-gram (70 ounces) uncomfortable feeling and this 3,000-gram (106 ounces) threshold of pain feeling—that is, 1,000 grams (35 ounces)—measures the difference between these feelings. Since the muscle or physical factor in the experiment is practically constant, the mental and sensitive factors in the two following experiments for uncomfortable and threshold of pain feeling have increasingly greater influence; that is, this psychophysical experiment becomes more psychical, and thus to a certain extent the difference between the idea of disagreeable and that of uncomfortable or of threshold of pain can be measured in grams or ounces.

In general, the amount of pressure required to produce a disagreeable or uncomfortable or threshold of pain feeling varies with the resistance of the subject; that is, the more sensitive the subject the less the pressure required.

## BODY BUILD

The body build or frame is obtained by dividing the chest circumference (at the armpits) by the stature. As body build increases, one passes from slenderness to stoutness in build; that is, the chest girth is larger relatively to the height; that is, the frame is broader relative to the stature. When chest circumference is large compared with height, we often call the man "thick set." These terms do not always have exactly the same meaning in actual use, but slenderness and stoutness, or thicksetness, seem most appropriate. Stoutness does not necessarily mean vigor. Circumference has an almost constant relation to chest diameter; its ratio to stature probably serves as the best index of body build. This is preferable to weight, which is quite variable, as compared with chest circumference.

TABLE 3.—Predominant lineage, temple pressure sensitiveness, and brain weight

Predominant lineage	Right temple (grams)			Left temple (grams)			Hand grasp	Average brain weight (grams)	Average for both temples (grams)			Summary of all sensitiveness
	Disagreeable	Uncomfortable	Threshold of pain	Disagreeable	Uncomfortable	Threshold of pain			Least disagreeable	Uncomfortable	Threshold of pain	
	1	2	3	4	5	6	7	8	9	10	11	12
English (32).....	1,652	1,718	2,218	1,649	1,895	2,360	67	1,500	1,650	1,801	2,289	1,913
Scotch (30).....	1,658	1,806	2,129	1,782	1,829	2,438	73	1,462	1,720	1,847	2,283	1,950
German (8).....	1,565	1,692	2,042	1,712	1,871	2,160	74	1,484	1,638	1,781	2,104	1,841
Norwegian (6).....	1,340	1,183	.....	1,410	1,266	.....	79	1,455	1,375	1,224	.....	.....
Irish (5).....	1,360	2,020	2,220	1,490	1,960	2,320	67	1,479	1,425	1,990	2,270	1,895
French (3).....	1,216	1,300	1,650	1,333	1,425	2,100	81	1,452	1,274	1,362	1,875	1,503
Welsh (3).....	1,433	1,600	1,866	1,233	1,616	1,916	59	1,445	1,333	1,608	1,891	1,670
Dutch (2).....	1,825	2,425	3,250	2,075	3,100	3,250	89	1,656	1,950	2,762	3,250	2,656
Average of all.....	1,582	1,784	2,166	1,662	1,855	2,356	70	1,450	1,622	1,819	2,261	1,900
Average in ounces.....	55	63	76	58	65	83	<sup>1</sup> 154	50	57	64	79	67

<sup>1</sup>Pounds.

In Table 3 we will first compare in a general way the Members of Congress as to their sensitiveness to least disagreeable, uncomfortable, and threshold of pain pressure on the temporal muscles, and this in relation to their predominant lineage. It will be noted that almost without exception the Members require the least pressure for that considered disagreeable (1,622 grams (58 ounces)) (col. 9) and the most pressure for the threshold of

pain (2,261 grams (79 ounces)) (col. 11). It will further be seen that the left temple is more sensitive than the right. In previous studies<sup>1</sup> of both children and adults the author found the same to be true.

<sup>1</sup>Man and Abnormal Man (S. Doc. 187, 58th Cong., 3d sess., pp. 178-179).

TABLE 4.—Summary of the arithmetical means, standard deviations, correlation coefficients, and probable errors for disagreeable and threshold pain pressure, hand strength, body build and estimated brain weight of 89 Members of Congress as a whole, and also in connection with predominant lineage, educational status, and place of birth

	Arithmetical mean (grams)	Probable error of mean	Standard deviation	Probable error of standard deviation	Arithmetical mean (grams)	Probable error of mean	Standard deviation	Probable error of standard deviation	Coefficient of correlation
Section A									
Disagreeable pressure and strength of hand grasp									
89 Members in general.....	1657	47.47	664	33.53	70	1.440	16	.8080	.49±.054
35 English lineage.....	1532	61.78	542	43.68	66	1.482	13	1.0478	.60±.077
28 Scotch lineage.....	1771	53.58	658	59.28	73	2.159	17	1.531	.60±.074
23 other lineage.....	1520	53.20	380	37.77	71	2.240	16	1.584	.68±.077
Section B									
Relation of body build to disagreeable pressure									
	Body build				Disagreeable pressure				
89 Members in general.....	5,709	36.30	515	26.00	1,596	36.67	513	25.90	.64±.042
35 Members of English lineage.....	5,715	46.51	408	32.83	1,607	68.23	599	48.27	.62±.0709
Section C									
Relation of body build to estimated weight of brain									
89 Members in general.....	5,709	36.82	515	26.20	1,450	8.222	115	5.80	.63±.043
Section D									
Relation of estimated brain weight to stature									
	Brain weight				Stature				
89 Members in general.....	1,450	8.222	115	5.80	177	414	5.8	.2939	.55±.053
Section E									
Threshold of pain pressure sensitiveness									
15 Members city birth.....	2,048	91.52	526	64.69	.....	.....	.....	.....	.....
35 Members country birth.....	2,274	65.43	574	46.26	.....	.....	.....	.....	.....
29 Members university education.....	2,082	61.12	489	43.03	.....	.....	.....	.....	.....
21 Members with less education.....	2,377	92.16	627	65.20	.....	.....	.....	.....	.....

## MEANING OF CORRELATION COEFFICIENT

If your two hands were exactly alike, the relation between them would be 100, a perfect correlation; but if very nearly alike, say, 97 or 98, though not perfect, the correlation is of a very high degree; that is, very nearly perfect.

If you have, for example, the heights of 1,000 soldiers in one column and their weights in a corresponding column, the question is, What, if any, is the degree of relation between them; that is, are the taller soldiers heavier in weight or not; and if they weigh more, to what extent; that is, what is their correlation coefficient? The method of finding this coefficient is described in statistical works.

## RELATION OF DISAGREEABLE PRESSURE TO STRENGTH OF HAND GRASP

In arranging the figures for disagreeable pressure the amounts for each temple were added together and then the result was divided by two, making a single quantity. The figures for hand grasp for each hand were combined to give one figure for the total hand strength of each Member. All these figures are based upon columns 18, 19, 20, 21, 22, 23, and 24 of Table 1. The Pearson correlation coefficient is worked out in Table 4 with body build and brain weight. In applying the same methods to determine the degree of relationship between disagreeable pressure upon the temples and strength of hand grasp, the correlation coefficient for Members of Congress in general (see Table 4, sec. A) is found to

be  $0.49 \pm 0.054$ . The cause of this substantial relation between disagreeable pressure and strength of hand may be due to the fact that physically strong persons tend to be less sensitive. As Congressmen with a large body build tend to be strong, and as we see (Table 4) the correlation between body build and disagreeable pressure is high, being  $.64 \pm .042$  (see Table 4, sec. B), this confirms still further this idea, that the greater the strength of hand of Members of Congress, the more resistant they are to disagreeable pressure, which suggests less sensitiveness to disagreeable experiences, which might be useful in the vicissitudes of political life.

#### RELATION OF THRESHOLD-PAIN PRESSURE TO EDUCATIONAL STATUS

We have divided the Members of Congress studied into two classes according to degree of education received in earlier life (Table 1, cols. 25-28); one class are those with university education, and the second class, those with less than university education, as college, high-school, or common-school training. By university education, we mean those who have graduated from college or have been there a year or more and then studied for their profession in some university.

By examining Table 4, section E, it will be found that those Members with university education show an average threshold-pain pressure of 2,082 grams (73 ounces), and those with less education a threshold pain pressure of 2,377 grams (83 ounces). Thus the university-trained Members of Congress studied are more sensitive to the threshold of pain pressure than those with less education by 295 grams (10½ ounces). This suggests the idea that the higher the degree of education, the greater is the threshold-pain pressure sensitiveness.

#### RELATION OF THRESHOLD-PAIN PRESSURE TO PLACE OF BIRTH

We have also divided the Members into two classes—those born in the country and those born in the city—and then found the average of each for threshold of pain pressure. As will be noted from Table 4, section E, the average for those born in the country is 2,274 grams (80 ounces), and for those of city birth, 2,048 grams (72 ounces); that is, those of country birth are less sensitive to the threshold of pain pressure by 226 grams (8 ounces) than those born in the city, which also suggests that country life tends to develop hardihood to be able to endure better that which is physically painful.

As those who live in the country are generally not as highly educated as those who dwell in the city, and as those with university education have just been shown to be more sensitive to threshold-pain pressure than those with less education, the suggestion that country life tends to develop a hardihood to endure better, physical pain is strengthened.

#### RELATION BETWEEN BODY BUILD AND DISAGREEABLE TEMPLE PRESSURE

In Table 4, section B, are given the means, standard deviations, and correlation coefficients with their respective probable errors, for the relation between body build and disagreeable temple pressure for all 89 Members, and also for Members whose lineage is predominantly English.

There is practically no difference between the average body build of the Members in general and that of those with English lineage, the one being 5,709 and the other 5,715. The correlation coefficient for body build and disagreeable temple pressure is  $.64 \pm .042$  for all the Members and  $0.62 \pm 0.0709$  for those with predominant English lineage. Here also the difference is insignificant. The correlation coefficients are distinctly high.

#### APPLICATION OF CORRELATION COEFFICIENT TO PREDOMINANT LINEAGE

In column 29 of Table 1 is given the predominant and other lineage of each Member of Congress measured. From Table 3 will be found the number of Members of Congress according to predominant lineage, the English numbering 32, the Scotch 30, the German 8, Norwegian 6, and so on. As already noted, the English and Scotch constitute the great majority for predominant lineage.

In determining the degree of relationship of disagreeable pressure and hand strength, in connection with predominant lineage, by working out the correlation coefficient, we find from Table 4, section A, that those Members with predominant English lineage have a coefficient of correlation of  $0.60 \pm 0.077$ , the Scotch a correlation of  $0.60 \pm 0.074$ , and those with other lineage combined (24 Members) have a coefficient of correlation of  $0.68 \pm 0.077$ . These coefficients all indicate high degrees of correlation between disagreeable pressure and hand strength according to predominant lineage. The average disagreeable pressure for Members of Scotch lineage is 1,771 grams (62 ounces), that for those of English descent 1,532 grams (53 ounces), and those of other lineage 1,520 grams, thus indicating that those with predominant Scotch descent are less sensitive to disagreeable pressure than the English by 239 grams (8 ounces); that is to say, that those with Scotch descent are the most resistant to disagreeable pressure of all, and might suggest a greater hardihood to disagreeable experiences in life.

Why the left temple should be more sensitive than the right may be due to the fact that the great majority of persons are right handed, having more physical activity and consequent blood flow on the right side, feeding the nerves more, and it may be making these more resistant to pain and also to deterioration on the right side. Thus it has been said by dentists that teeth decay more on the left side of the face than on the right.

It appears also that those with the heaviest estimated brain weight tend to resist pressure most, showing more hardihood. In Table 4, section B, this is indicated by the fact that the correlation of body build with brain weight is  $0.63 \pm 0.043$ , and the correlation of body build with disagreeable pressure is  $0.64 \pm 0.042$ , practically

the same and distinctly high correlations. In connection with this, on the other hand, there are those with less brain weight, as in French and Welsh lineage, who show more sensitiveness, as indicated in column 12, Table 3, where all the averages are summed up and averaged.

Those members whose predominant lineage is Dutch, Scotch, English, or Irish show the least sensitiveness in order mentioned.

In distinguishing this pressure feeling as disagreeable and uncomfortable (Table 3) the Dutch show a difference of 812 grams (28 ounces), the Irish 565 grams (20 ounces), and the Welsh 275 grams (9 ounces), which is practically a quantitative measurement of the difference between disagreeable and uncomfortable pressure, as they experience it. To distinguish uncomfortable from the threshold of pain, those with French lineage require 513 grams (18 ounces) pressure, the Dutch, 488 grams (16 ounces), and English, 487 grams (17 ounces) pressure. Members with other lineage require much less pressure.

#### BRAIN WEIGHT AND STATURE

From Table 4, section D, it will be seen that the correlation coefficient for estimated brain weight and stature of all the 89 Members of Congress measured is  $0.55 \pm 0.53$ , which is quite high when compared with the correlation of English brain weight with stature which, as given by Blakeman, is  $0.288 \pm 0.057$ .

#### RADIO AGREEMENT BETWEEN CANADA AND THE UNITED STATES

Mr. DILL. Mr. President, I do not want to delay the debate on this particular measure more than a few moments. I waited yesterday in the hope that I would have an opportunity to say something about the Canadian-American agreement concerning radio channels, and I could not get the opportunity. To-morrow we are to take up the revenue bill, and for that reason I venture to break into the debate for a few moments to discuss that agreement.

On the 9th of May the Secretary of State gave to the press a statement containing the correspondence between the representatives of the Canadian Government and the representatives of this Government whereby it is agreed that Canada shall use for radio broadcasting certain wave lengths that she has not previously used, and that she shall have the privilege of sharing certain channels under this agreement. I ask unanimous consent that this statement may be printed in my remarks at this point.

The PRESIDING OFFICER (Mr. CAREY in the chair). Without objection, it is so ordered.

The matter referred to is as follows:

#### RADIO BROADCASTING IN CANADA

##### DEPARTMENT OF STATE,

May 9, 1932.

On May 5, 1932, the Canadian minister sent the following note to the Acting Secretary of State:

[No. 81]

CANADIAN LEGATION,  
Washington, May 5, 1932.

The Hon. W. R. CASTLE, JR.,

Acting Secretary of State, Washington, D. C.

SIR: I have the honor to inform you that the Canadian House of Commons recently appointed a committee to inquire into the whole position of radiobroadcasting in Canada. This committee has under consideration a technical scheme for broadcasting in Canada which it is considered will provide satisfactory coverage in the chief population areas throughout the Dominion and at the same time make provision for the community service that may be desired. This scheme is divided into two distinct parts:

- (a) A chain of high-power stations, operating on clear channels, and located at suitable intervals across Canada.
- (b) A number of low-power stations of very limited range, operating on shared channels, and located as required for community service.

If this scheme receives the approval of Parliament, it is proposed to use 50-kilowatt stations, one in each of the Provinces of British Columbia, Manitoba, Ontario, Quebec, and eventually one in the maritime Provinces. In Saskatchewan and Alberta it is proposed to use 5-kilowatt stations at present, two being used in each Province, synchronized on a common channel. In Ontario there will be, in addition, two 10-kilowatt stations, one in western Ontario and one in northern Ontario. Four smaller stations of 1-kilowatt capacity each are provided for the Port Arthur-Fort William area, and for Ottawa, Montreal, and Quebec. In the maritimes, three 500-watt stations are provided for the present, one in each Province. The scheme also includes a 500-watt station on the shared channels for the city of Toronto for local service.

In adopting this plan Canada would reserve the right to increase the power of the stations in Alberta, Saskatchewan, northern and western Ontario to 50 kilowatts each, should such increase become necessary.

The committee, in addition to considering the power required, propose the following channels as suitable for the main stations:

Prince Edward Island, 630 kilocycles.  
New Brunswick, 1,030 kilocycles.  
Nova Scotia, 1,050 kilocycles.  
Quebec, 930 kilocycles.

Montreal area (1 kilowatt), 600 kilocycles.  
 Montreal area (50 kilowatts), 730 kilocycles.  
 Ottawa, 880 kilocycles.  
 Toronto area (500 watts), 1,120 kilocycles.  
 Toronto area (50 kilowatts), 690 kilocycles.  
 Western Ontario, 840 kilocycles.  
 Northern Ontario, 960 kilocycles.  
 Port Arthur-Fort William area, 780 kilocycles.  
 Manitoba, 910 kilocycles.  
 Saskatchewan, 540 kilocycles.  
 Alberta, 1,030 kilocycles.  
 British Columbia, 1,100 kilocycles.

In order to insure satisfactory local broadcast service throughout Canada, it is proposed that stations, limited to a maximum power of 100 watts, be erected where necessary, and that they should be operated on shared channels. It is considered that 100 or more such stations may eventually be required in Canada, and that 20 channels should be available for this type of service. In establishing such stations it is proposed to maintain the same geographical separation between Canadian and United States stations as is maintained between United States stations of the same power.

Due notification would, of course, be given of the effective dates of any changes in the present operation to conform with the above plan.

In the event of the adoption of the above arrangement it is understood that if, as the result of the Madrid conference, any additional channels are made available for broadcasting a further allocation will be made as between the United States and Canada on an equitable basis.

I shall be obliged if you will inform me at your early convenience whether the United States authorities can make the necessary readjustments, so that these channels will be available for effective use in Canada.

I have the honor to be with the highest consideration, sir,  
 Your most obedient humble servant,

W. D. HERRIDGE.

The Acting Secretary of State sent the following note in reply:

MAY 5, 1932.

The Hon. WILLIAM DUNCAN HERRIDGE, K. C., D. S. O., M. C.,  
 Minister of the Dominion of Canada.

SIR: I am grateful for your courtesy in informing me by your note of May 5, 1932, of the technical plan which is being considered by the committee of the Canadian House of Commons as a means of providing Canada with satisfactory radiobroadcasting coverage. You inquire whether the authorities of the United States can make the readjustment necessary to render certain channels available for effective use in Canada.

In reply, I am glad to inform you that as notice is given from time to time of the dates of changes to be made in the present operations of Canadian broadcasting stations to conform to the plan set out, this Government will be glad to make the necessary readjustments.

It is understood that if, as the result of the Madrid conference, any additional channels are made available for broadcasting, a further allocation will be made, as between the United States and Canada, on an equitable basis.

Accept, sir, the renewed assurances of my highest consideration.  
 W. R. CASTLE,  
 Acting Secretary of State.

The committee of the Canadian House of Commons was appointed pursuant to the following resolution:

HOUSE OF COMMONS,  
 Wednesday, March 2, 1932.

Resolved, That a special committee of this House be appointed to consist of Messrs. Morand, Wright, Beynon, Smith (Cumberland), Gagnon, Cardin, Euler, Isley, and Garland (Bow River) for the following purposes:

1. To consider the report of the Royal Commission on Radio Broadcasting dated the 11th day of September, 1929, and commonly known as the Aird report.

2. To advise and recommend a complete technical scheme for radio broadcasting for Canada, so designed as to insure from Canadian sources as complete and satisfactory a service as the present development of radio science will permit.

3. To investigate and report upon the most satisfactory agency for carrying out such a scheme, with power to the said committee to send for persons and papers and to examine witnesses, and to report from time to time to this House.

Attest:

ARTHUR BEAUCHESNE,  
 Clerk of the House.

Mr. DILL. Mr. President, under this agreement Canada will have 9 cleared channels instead of 6 cleared channels for the purpose of broadcasting. Then she will share the use of 6 channels instead of 11, as she previously did. Her system is to be run by the Government with nine large stations, one in each Province, connected for purposes of chain broadcasting; and she is then to be permitted to use whatever number of 100-watt stations she may later desire,

and arrangements will be made between the Governments as to the use of wave lengths for that purpose.

I desire to call attention to what this agreement really does.

Under this agreement the Radio Commission approves the simultaneous operation of high-powered radio stations on the east coast and the west coast of this continent on the same wave length. It proposes to permit a high-powered station in Vancouver, British Columbia, to operate on the same wave length as station WPG in Atlantic City, N. J. It proposes to permit a station in Nova Scotia to operate on the same wave length as station KNX, a cleared-channel station in Los Angeles.

I do not complain of this arrangement, but I speak of it because the Radio Commission now has broken down the rule which it foolishly set up some years ago. It permits foreign stations to do what it has refused again and again to allow American stations to do, namely, to have simultaneous operation of stations on the two sides of the continent on the same wave length.

I have argued for a number of years that it was an indefensible waste of radio facilities to prohibit the use of a wave length by a radio station on the Pacific coast simply because some radio station on the Atlantic coast was using that wave length.

The decision of the district court of appeals in the WGY case some years ago laid down the principle that it was in the interest of the public listening to radio programs to permit WGY in Schenectady and KGO in Oakland to operate simultaneously with high power, because, as was pointed out, the service to the people within a few hundred miles of these stations was far more important than the possibility that a few listeners midway across the country might have the service of one station or another if both did not operate. But the thing that is a pitiful commentary upon it all is that our Radio Commission, appointed to administer radio in the interest of the American people, should consent that a foreign government should have stations which would operate on the two coasts instead of permitting our own stations here in this country to operate in that way.

I do not know what defense the Radio Commission can have now for refusing to allow a station in San Francisco, Portland, Tacoma, or Seattle from operating on the same wave length with a station in New York or Boston when it has agreed to permit a station in Vancouver, British Columbia, to operate on the same wave length with a station in Atlantic City.

I am glad the commission has reached the common-sense viewpoint of permitting this use of the radio facilities by the Canadian people; but I am, to say the least, humiliated that a commission appointed to serve the American people should refuse our own stations a privilege so long and now grant it to foreigners.

I hope the commission will have enough patriotism, will have enough consideration for the listening public of the two coasts of this country, that it will not further insist upon the technically indefensible and foolish rule of prohibiting stations which want to serve the people of the Pacific coast from operating simply because a station on the Atlantic coast is operating on the same wave length, or vice versa.

ST. CLAIR RIVER BRIDGE, MICHIGAN

Mr. VANDENBERG. Mr. President, I report back favorably without amendment, from the Committee on Commerce, Senate bill 4581, to extend the times for commencing and completing the construction of a bridge across the St. Clair River at or near Port Huron, Mich., and I submit a report thereon (No. 676).

This bill is in the usual form approved by the department. There seems to be anxiety for immediate action on the bill so that construction may start. I am sure there will be no controversy about the measure, and I ask unanimous consent for the present consideration of the bill.

The PRESIDING OFFICER. Is there objection?

There being no objection, the Senate proceeded to consider the bill, which was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.,* That the times for commencing and completing the construction of the bridge across the St. Clair River at or near Port Huron, Mich., authorized to be built by the Great Lakes Bridge Commission by the act of Congress approved June 25, 1930, heretofore extended by an act of Congress approved February 28, 1931, are hereby further extended one and three years, respectively, from June 25, 1932.

Sec. 2. The right to alter, amend, or repeal this act is hereby expressly reserved.

#### INCREASE OF BANKING FACILITIES

The Senate resumed the consideration of the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. VANDENBERG. Mr. President, the pending amendment is the amendment which I offered on yesterday. I ask leave to perfect the amendment by substituting for it the amendment which I send to the desk.

Mr. VANDENBERG's amendment as modified is as follows:

On page 45, line 8, after the period, insert: "Except in a city, town, or village where there is no national or State bank regularly transacting customary banking business, no such association shall establish a branch except by taking over an existing unit bank or an affiliate of such association."

Mr. KEAN obtained the floor.

Mr. McNARY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CAREY in the chair). The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Austin	Cutting	Johnson	Patterson
Bailey	Dale	Kean	Reed
Bankhead	Davis	Kendrick	Robinson, Ind.
Barbour	Dill	Keyes	Sheppard
Barkley	Fletcher	King	Smoot
Blaine	Frazier	La Follette	Townsend
Borah	George	Lewis	Trammell
Bulkley	Glass	McGill	Tydings
Bulow	Glenn	McNary	Vandenberg
Capper	Goldsborough	Metcalf	Walsh, Mass.
Carey	Gore	Moses	Walsh, Mont.
Cohen	Hale	Norbeck	Wheeler
Connally	Hastings	Norris	
Coolidge	Hayden	Nye	
Copeland	Hull	Oddie	

Mr. McNARY. I wish to announce that the following Senators are absent, engaged in the Committee on Appropriations: The Senator from Washington [Mr. JONES], the Senator from Connecticut [Mr. BINGHAM], the Senator from Iowa [Mr. DICKINSON], the Senator from Tennessee [Mr. McKELLAR], the Senator from New Mexico [Mr. BRATTON], and the Senator from South Carolina [Mr. BYRNES].

The PRESIDING OFFICER. Fifty-seven Senators having answered to their names, there is a quorum present.

Mr. KEAN. Mr. President, I desire to say at the start that I am making no reflection upon any of the Members of the Senate on the other side of the aisle, whose patriotism I believe equals my own, and whose love of country I believe is as great as it is on this side of the aisle. But it seems to me it is my duty to draw the attention of the Senate to some of the things which have happened in the Banking and Currency Committee, of which I have not the honor to be a member, and which have come under my observation.

The Banking and Currency Committee, under a resolution passed by the Senate, appointed a subcommittee to examine into the operations in New York in regards to pools and other transactions involving directly or indirectly the depression of the securities listed on the stock exchange. They have examined witnesses from Wall Street, and have had testimony, not from members of the stock exchange but from others, showing that they have been engaged in violent speculation both on the bull side and the bear side of the market.

The Bible tells us that one should pull out the beam that is in his own eye before considering the mote that is in his neighbor's eye.

When Mr. Eugene Meyer was requested to testify before the Banking and Currency Committee I went to that committee to hear his testimony. There was another person in the witness seat when I arrived there. On the right hand of the stenographer sat the distinguished Senator from Virginia [Mr. GLASS] and on the left the junior Senator from Ohio [Mr. BULKLEY]. Immediately behind them was a man I did not know, but I soon found out his name was Mr. H. Parker Willis. Mr. Willis kept suggesting questions to Mr. GLASS, and perhaps to Mr. BULKLEY also, and it seemed to me that it was Mr. Willis who was cross-examining the witness, rather than either of the distinguished gentlemen I have mentioned.

I believe Mr. Willis was employed by the Banking and Currency Committee, and in this confidential position was enabled to obtain facts and figures from the Federal reserve banks and from the Comptroller of the Currency in the name of the committee, to which no Senator on the floor of the Senate and no Senator except the members of the subcommittee in charge of the so-called Glass bill had access. In this confidential capacity Mr. Willis received that information, and was in almost daily communication with Paris, transmitting the information to the Paris newspapers.

The first copy of a dispatch that I have is dated October 11, 1931, in which Mr. Willis talks of the coming of the French representatives to talk over the financial plan with the President and the Secretary of the Treasury. He informs the readers of the French papers that—

The total of foreign short-term securities of all sorts which could be rapidly withdrawn from the United States is estimated at a little more than \$700,000,000.

The dangers to the gold standard are well understood and the banks are taking all the measures necessary to assure it a maximum of protection.

For Saturday the exploitations of gold were \$2,000,000, and the amount reserved (earmarked) was increased by \$18,800,000.

I send to the desk Mr. H. Parker Willis's telegram, taken from the French paper, together with a translation thereof, and ask to have the translation printed in the RECORD as a part of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The translation is as follows:

THE HOOVER PLAN AND THE GREAT AMERICAN BANKS—THE MISTAKES OF THE DIRECTORS OF THE FEDERAL RESERVE SYSTEM—THE PROBLEM OF DOLLARS AND GOLD RESERVES—CRITICISM OF THE POLICY FOLLOWED FOR TWO YEARS BY THE HOOVER ADMINISTRATION—PARLIAMENTARY CIRCLES SHOW THEMSELVES QUITE SKEPTICAL AS TO THE PRACTICAL RESULTS OF THE VIEW OF MR. LAVAL—THE SINO-JAPANESE CONFLICT

NEW YORK, October 11.—In spite of the irregular movements of the last two weeks, the atmosphere in Wall Street is better; the general statement is more optimistic and the market price is being well maintained in most divisions.

The Hoover plan of reanimating banking affairs seems to have been well received, and the subscriptions of banks from all parts of the country to the National Credit Corporation appear important. The measure of its real success depends upon the stopping of the withdrawal of funds and the restoration of confidence; one can not render in this respect for some time. No doubt there will be still a certain number of banking failures, although the plan should bring about a diminution of them. The essential thing is to know whether the great banks will have sufficient breadth of view to recognize the necessity of putting an end to the bank failures, medium and small, or whether they will persist in the egotism which they have shown for years, being content to declare that the establishments failing were too insignificant for their difficulties to be given serious consideration.

Public opinion is much aroused against the negligence of the directors of the Federal reserve system and the bad methods of the principal banks which have led to the present crisis. Consequently it may not be completely reassured if the least capable directors of the Federal reserve system and certain members of the banking organizations of various cities do not leave their posts. That is an element of uncertainty which must be taken into account.

In enlightened circles, opposition is still increasing against the project to amend the statutes of the Federal reserve system to permit the discount of paper guaranteed by industrial or railroad bonds; but most of the officials continue to think that the adoption of this amendment will present no difficulties. The truth is quite otherwise, an important part of Congress being hostile to

every plan for the enlargement of the bases of discount. If the plan envisaged is adopted, which is not at all certain, it will be done only by a violent struggle, because of the lack of prestige of the administration, and the general feeling of the country that for two years there has been a total absence of comprehension and competence to meet the danger of panic and atrophy.

The coming of Mr. Laval to New York is more and more commented upon in the world of affairs, whose feeling toward France—treated up to you as a European country of no great financial interest for America—is completely modified. The opinion continues to prevail on the American side that the interview will be as extensive as Mr. Laval permits. It is believed that the question of a new moratorium of the war debts and a moratorium of reparations for several years will be put forward.

On all sides a discussion on the subject of the gold standard is demanded also, and a clear exposition of the attitude of France on the entire gold question, which will give more clarity to the Washington policy. Many people are disturbed by the danger that the gold standard might fall because of the Hoover-Mellon plan to give more latitude to the discount operations of the reserve banks. One is surprised that the elements of the problem are so well known and that the dangers are so clearly appreciated on the foreign exchanges; it appears, in consequence, the more imperative not to do anything which might strengthen the apprehensions and harm still more the situation of the dollar.

Banking operations have been extended during the past week; the available funds of gold of the reserve banks have put financial establishments in a better position in regard to the foreign agreements. The total of foreign short-term securities of all sorts which could be rapidly withdrawn from the United States is estimated at a little more than \$700,000,000. The available funds of gold would reach \$900,000,000.

The dangers to the gold standard are well understood and the banks are taking all the measures necessary to assure it a maximum of protection. For Saturday the exportations of gold were \$2,000,000 and the amount reserved (earmarked) was increased by \$18,800,000.

In parliamentary circles one is skeptical as to the practical results of Mr. Laval's visit, but one is ready to welcome any new elucidation which may result. Everything depends on the attitude of the administration and the measure in which the public is informed with precision so that it understands the situation.

The Sino-Japanese conflict has aroused only slight interest in business and financial circles, whose attention is absorbed by the immediate complication of affairs in the United States. Washington is studying the question. So far the conflict has not appreciably affected the stock exchange or the commercial markets.

H. PARKER WILLIS.

Mr. KEAN. On October 14, 1931, Mr. Willis cabled on the arrival of the Frenchmen in this country that they were charged, if necessary, to withdraw a large part of the remaining "short-term funds belonging to the Bank of France, and thus possibly avoid an erroneous interpretation of the conferences with Mr. Laval in case that, after his visit, these withdrawals are decided upon." "The indications which I cable you have not an official character, but come from a competent source."

I ask whether the Bank of France did not make threats to withdraw these funds in hopes of forcing the United States to further extend the moratorium, and I also ask, Mr. President, what is the "competent source" that allowed Mr. H. Parker Willis to cable on the 14th day of October, 1931, such a statement as this?

On October 17, 1931, Mr. Willis cabled:

I learn from a good source that the French envoys have arrived at an agreement with the authorities of the Federal reserve system. The Bank of France will leave here available deposits valued between two hundred and three hundred million dollars; two hundred millions will be freed on earmark gold. The Federal reserve bank, to remain in line with this agreement, must be induced to raise the discount rate to 4 per cent and even higher and ask to practice a better selection of commercial paper to protect the gold coin and bullion, avoiding all securities not bankable or difficult to negotiate. An investigation has shown that the amount of foreign credits still open here is \$1,200,000,000 and that of American credits abroad is \$600,000,000.

Where did Mr. H. Parker Willis obtain this information?

On October 21, 1931:

The Bank of France is said to have purchased to-day on the market a new amount of about twenty millions in securities. It has made known to the great financial establishments its desire to see increased by one-half per cent the interest on the funds which it has in deposit in our market.

On October 22, 1931:

Statesmen have told me that several criticisms will be made in Congress on the subject of the policy of the Federal reserve system, especially in regard to the granting of credits to Germany and England last summer.

Among the numerous subjects which Laval and Hoover must discuss, two problems seem to have the greatest chance of a useful solution in the form of an "entente cordiale," the circulation of gold and questions of a monetary and banking nature.

At midnight on October 23, 1931, Mr. Willis cabled:

I learned from an authoritative source that the policy of the deposit of the Bank of France and of the gold held in the United States decreed by the French representative has been submitted to the French Government and accepted as satisfactory.

Another person of great authority told me that the Government is much embarrassed by the attitude of a certain public, which expects too much from the Laval-Hoover conversations.

I understand that difficulties might arise from the fact that the French representatives may have committed the same tactical error as Mr. Montague Norman did some years ago. The negotiations of the government of the Bank of England failed because in omitting to consult the Federal Reserve Board they failed to recognize the rights of that supreme authority of the Federal reserve system. The directors of certain Federal reserve banks have been accustomed in recent years to have little regard for the board and have pretended that they themselves represent the Federal reserve system in Europe, although they had no right to do so. Under these conditions it may be that certain questions which appear solved by the visit of Mr. Laval will still remain open after his departure.

I call attention to this part of the telegram because Senators will notice that in the so-called Glass bill the authority to negotiate is taken away from the board of the Federal reserve bank and vested entirely in the board created by this bill.

On October 27, 1931, a cable was sent, but it contains no special information that could not be obtained from ordinary sources.

On November 3, 1931, a cable was sent, but this also contains nothing except information that is readily obtainable by any person.

On December 2, 1931, Mr. Willis cabled "the pessimism of numerous operators knows no limit." In his dispatch of December 7, 1931, he said:

The present vogue of issuing Treasury bonds at a very low rate of interest constitutes an anomaly which can only be upheld by the tacit authorization to use the bonds to obtain credit from the reserve banks. In case the Treasury should be obliged to follow the recommendation of the bankers the present market prices of Liberty bonds can not be maintained.

In other words, he is warning the French that they had better sell United States bonds. These dispatches cost the United States from December 3 to December 5, 1931, \$1,722,000 in gold shipped abroad.

On December 14, 1931, the dispatch deals with the forming of the Reconstruction Finance Corporation—

to authorize the credit corporation to discount at the reserve banks, on the same basis as the funds of the Government, various classes of securities up to a sum of \$2,000,000,000.

On December 15, 1931, Mr. Willis cabled with regard to the plan for a new credit corporation, "It is said the plan would tend toward inflation." During the week ending December 12, 1931, \$3,513,000 in gold was shipped out of the United States.

That is the first mention in his dispatches of inflation. I do not know whether the Senate realizes what inflation means in Europe. Germany inflated until their currency became worthless. France inflated until their currency was worth less than 80 per cent of what it was prior to the war. Thus it can be seen that the word "inflation" would frighten any investor, any holder of American securities, any banker who held American currency. All such people would be very much alarmed by the word "inflation."

On December 17, 1931, a cable was sent to France, from which I quote:

The serious situation of various kinds of financial establishments, which have large portfolios of securities, whose market price is constantly dropping without any really justified motive, comes in large part from the realizations effected by other bearers who procure funds for themselves, in a period when the demands of the market are more unusual than they have ever been.

From December 14 to December 18, 1931, we shipped \$5,148,000 in gold.

From December 21 to December 26, 1931, we shipped \$8,295,000 in gold from the United States.

From December 28 to December 31, 1931, we shipped \$13,954,000 in gold.

January 6, 1932: The heading of the dispatch is, "The various inflation tendencies." Inflationist ideas are coming to light to such an extent that a number of absurd projects for the issuing of new notes as legal tender are being proposed. The Government operations themselves bear the danger of inflation.

I have never mentioned any provision which would tend to inflate the public debt, nevertheless, the intention exists.

Loans on a vast scale are also inevitable, the budgetary deficit being more than two billions.

We shipped during this week \$6,679,000 in gold.

Let us consider for a moment, Mr. President, what inflation means to Europe. Germany inflated her currency after the war until it went from 24 cents to nothing, and everybody who held German marks lost what had been paid for them. France inflated after the war, thereby reducing the value of the franc 80 per cent, and everybody who held francs lost 80 per cent of their value. This shows what the talk of inflation means to Europe.

On January 13, 1932, the dispatch was headed "The inflationist policy." The dispatch reads:

Inflation is the order of the day.

Again—

All attempts to restrain inflation and prevent expansion of credit which would have as a basis long-term engagements will meet general opposition.

On January 17, 1932, the cable reads:

The fact that the Federal reserve system is participating in a program of inflation is considered by certain authorities as a violation of the entente which was made public at the time of the visit of Laval and even before.

During this week we shipped \$17,138,000 in gold.

On January 20, 1932, a cable to France was headed "The antideflationist measures and their consequences."

The problem of inflation continues to be keenly debated in financial and political circles.

During this week we shipped \$41,214,000 in gold.

On January 24, 1932, a cable was sent, from which I quote:

The definite adoption of the Reconstruction Finance Corporation is received with less enthusiasm than was predicted. It is probable that the market is going to remain in expectation, awaiting a definite term taken by the question of inflation and by those of the banking policy and the railroad régime. Wall Street seems to be at the point where its capacity for resistance may be again put to the test.

During this week we shipped \$42,154,000 in gold.

During the week ending February 6, 1932, we shipped \$34,489,000 in gold.

The last dispatch which I have is dated February 14, 1932. During the week ending February 13, 1932, we shipped \$36,129,000 in gold.

From February 16 to February 20, 1932, we shipped \$52,371,000 in gold.

From February 24 to February 27, 1932, we shipped \$5,047,000 in gold.

During the week ending March 5, 1932, we shipped \$28,920,000 in gold.

For the week ending March 12, 1932, we shipped \$2,756,000 in gold.

On March 15, 1932, we shipped \$12,511,000 in gold.

On April 8, 1932, and April 9, 1932, we shipped \$10,919,000 in gold.

During the week ending April 16, 1932, we shipped \$12,286,000 in gold.

During the week ending April 23, 1932, we shipped \$22,626,000 in gold.

Nothing affects the credit of the country as does the shipment of gold. This contracts the credit basis of the country to the extent of \$10 for every dollar of gold shipped abroad.

To recapitulate, the following gold shipments were made:

December, 1931	\$32,632,000
January, 1932	107,185,000
February, 1932	128,036,000

March, 1932	\$44,187,000
April, 1932	45,831,000
Total	357,871,000

On the basis of a contraction of \$10 in credit for every dollar of gold shipped, the following contraction is shown:

December, 1931	\$326,320,000
January, 1932	1,071,850,000
February, 1932	1,280,360,000
March, 1932	441,870,000
April, 1932	458,310,000
Total	3,578,710,000

Mr. KING. Mr. President, may I interrupt the Senator?

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Utah?

Mr. KEAN. I yield.

Mr. KING. I am not sure that I understand the implications the Senator desires to be drawn from his remarks. I rise, however, to inquire if it is not a fact that the world at large has suffered because of the maldistribution of gold, the United States and France having approximately 70 per cent of the \$11,000,000,000 of gold in the world? It is also known that European nations, France among them, had in the United States considerable gold, which was earmarked, and they also had credits calling for gold. Does the Senator think that we could have inhibited France and other nations that had gold which was earmarked and which was in the United States and that also had credits which they had obtained in the United States from shipping gold from the United States to themselves, they being entitled to it?

Mr. KEAN. Gold is shipped, Mr. President, according to the rate of exchange. Of course, a foreign nation that owns gold in the United States could have it shipped to itself, anyway. Foreign nations can come here and buy gold; but, as a rule, when gold is shipped in quantities, it is because of goods, securities, or some other commodity being sent to this country, which creates a credit in favor of the country sending them here, against which they may draw exchange. If the price of exchange goes sufficiently higher than par to cover the cost of shipment, insurance, freight, and to insure a profit, then gold is shipped. Does that answer the Senator's question?

Mr. KING. I am not sure that I quite understand the Senator's answer; but it does seem to me, Mr. President, if the Senator will pardon me, there having been a considerable flight of gold from Europe to the United States, much of which was earmarked, and some of which consisted of credits which France or other nations or individuals or corporations had in the United States, they, having the gold here, had a right to withdraw it. While we might have desired to have it retained here, I am not so sure that it was not advantageous, generally speaking, to the world's commerce and the trade to have a little better distribution of gold than has existed for the past year or two.

Mr. KEAN. Mr. President, when gold is earmarked, it means that it is put in vaults; it is gold that France or some other country has bought here, but does not choose to ship at the present time. Therefore, it is simply in storage and is not affected by the exchange rate; it belongs to the country that bought it; and although the exchange rate may go to the gold shipping point, instead of shipping it and paying the price of shipping it, they simply say, "Store that gold for us."

Mr. KING. If the Senator will pardon me, I think it is true that a considerable amount of gold was purchased in the United States and a great deal came here as the result of settling the balances of trade. Nevertheless, I think that, because of the precarious situation of some of the countries of Europe during the past two years, there was a large amount of gold shipped to the United States because they believed that in the United States it was safer than it was in their own country. I may be in error, but that is my recollection of the facts.

Mr. KEAN. I have no doubt that is true, for as long as we are on the gold basis many countries of the world will open accounts in New York and Chicago and various other

cities where they will keep large balances, because they feel that they can get that money back at any time they want it. That is the reason they send it here; but, of course, if they buy the gold, then the gold belongs to them, and they have it in storage. In exchange transactions, however, as a rule the exchange of a country must go up to a point above par before it is profitable to ship gold. Gold is worth so much per ounce. In the United States, I think, gold is 99 fine; the sovereign is about 98 fine; and so gold must go up to a point where an ounce of it in England will pay the freight and insurance, and so forth, in order that the shipment may be profitable.

Mr. President, as I have shown, the withdrawal of these vast quantities of gold means the contraction of credit in the United States to the extent of \$3,578,710,000; and that is one of the difficulties of the situation.

The result of the dispatches to which I have referred has been to make depositors of foreign money in the United States withdraw their funds and to frighten foreign investors to such an extent that they have sold back securities which they had bought in the United States. Large amounts of dollars have been for many years circulated throughout Europe, both in the form of gold notes and Federal reserve notes. Europe has been so frightened that at times one could buy \$1 in American money at 2 or 3 cents less than its face value.

To illustrate this propaganda, an Amsterdam correspondent wrote that while, of course, he knew that the firm of Curtis & Sanger, having a branch in Red Bank, N. J., had failed, yet the principal paper in Amsterdam published the following:

An important bank failure in the United States. The Red Bank has failed. Labor organizations are very powerful in America.

The question is, Mr. President, whether the original Glass bill was not conceived and largely written by Mr. H. Parker Willis. In my opinion it was not written or conceived for the best interests of the United States.

Mr. GLASS. Mr. President, I can answer the Senator very peremptorily on that proposition. There is not a sentence in the bill that the technician of the committee was not directed to put in it by the subcommittee. It was not conceived by him, but was conceived by the various members of the subcommittee, and passed on exhaustively by the Banking and Currency Committee with a pretty full membership.

Mr. KEAN. I am very glad to hear that, because it looked to me very much as if Mr. H. Parker Willis had very largely drawn the bill.

The present Glass bill has many of the features of the original Glass bill.

After the panic of 1907 there was passed what was known as the Vreeland-Aldrich Act, approved May 30, 1908, establishing the National Monetary Commission. The distinguished Senator from Rhode Island did a tremendous work on this commission. He investigated the banking systems of the entire world, the reports of which include over 30 volumes. There was submitted to the Senate a bill to incorporate a national reserve association of the United States. This bill was introduced in the Sixty-second Congress and was not considered. It was, however, reintroduced in the first session of the Sixty-third Congress and known as Senate bill No. 7. It has been commonly referred to as the Aldrich bill.

This bill created a central bank with 15 branches. It was made a matter of general debate throughout the United States, and was discussed in all the large cities of the Nation. It was condemned by the Democratic National Convention at Baltimore on July 3, 1912, which was the convention that nominated Mr. Wilson for the Presidency, in the following words:

We oppose the so-called Aldrich bill for the establishment of a central bank; and we believe the people of the country will be largely freed from panics and consequent unemployment and business depression by such a systematic revision of our banking laws as will render temporary relief in localities where such relief is needed, with protection from control or dominion by what is known as the Money Trust.

Banks exist for the accommodation of the public and not for the control of business. All legislation on the subject of banking and currency should have for its purpose the securing of these accommodations on terms of absolute security to the public and of complete protection from the misuse of the power that wealth gives to those who possess it.

We condemn the present methods of depositing Government funds in a few favored banks, largely situated in or controlled by Wall Street, in return for political favors, and we pledge our party to provide by law for their deposit by competitive bidding in the banking institutions of the country, National and State, without discrimination as to locality, upon approved securities and subject to call by the Government.

The present Federal reserve system is composed of eight banks, each bank having its own directors, the majority of whom are elected by the member banks. In other words, the original Federal reserve act contemplated not a central bank but 12 regional banks. The present Glass bill repudiates the original Federal reserve bank, goes back to the Aldrich bill condemned by the Democratic Party, and concentrates all the power in the Federal Reserve Board in Washington. Seven members are political appointees, and only two of them are required to have tested banking experience. Commercial banks have no representation on this board, but they have on the reserve banks. The question raised by the bill, therefore, is one of reversal of the national policy underlying the creation of the Federal reserve system. It would seem that a change in national policy ought not to be made during the critical financial period through which the world is now passing, but this change should await a more settled time and a thorough study and broad public discussion of the advisability of the proposed change.

While many of the deflationary characteristics of the original bill have been eliminated in the last draft, there are certain features which would be particularly disturbing to the financial structure of the country at this time.

In effect the security affiliates of national banks are to be eliminated within three years. This means that national banks would have to commence to liquidate the portfolios of their security affiliates upon a declining market. The destruction of national bank security affiliates would also mean the loss of a large portion of the security-distributing machinery of the country. In view of the large refunding operations of municipalities, railroads, and industry, which will require every existing means to meet, a change in the machinery of distribution would prevent the early emergence of the country from the existing depression.

The contribution of member banks to the liquidating corporation means the freezing up of member-bank assets to the extent of these subscriptions.

I should like to say that that means locking up at the present time practically thirteen times the amount of money involved. At the present time, if you deposit \$100 in a bank, you lock up \$13. If this bill becomes a law as it is, as I figure it, it would lock 16.30 per cent of every dollar that is deposited in every bank in the country.

Section 13 prohibits any national bank from owning more than 10 per cent of "the total amount of any issue of investment securities of any one obligor or maker." It is a common practice in forced reorganizations of industrial companies for banks to accept an issue of securities in exchange for the commercial debt of the industry; and many banks have in their portfolios the entire amount of a particular issue of the industry, although the total amount held does not exceed the 10 per cent limitation of capital and surplus of the bank. If national banks are required to sell their excess holdings of issues of securities of this character, it would mean throwing on the market securities which, from the very nature of their origin, have little or no ready public market, with consequent great loss to the bank.

Mr. FESS. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Ohio?

Mr. KEAN. I do.

Mr. FESS. The Senator is dealing now with an item about which there has been a great deal of opposition from certain sections of my own State.

Mr. KEAN. Naturally there would be, because if a bank has \$1,000,000 of capital and surplus and makes a loan of \$100,000 to an industrial company, and the industrial company fails, perhaps the bank may take the whole \$100,000, or perhaps the bank is a little bigger and may take \$150,000 and get somebody else to put in some money behind it and start the industry over again. Under this bill the bank could not hold more than 10 per cent of the total issues of any one obligor. It could hold up to \$100,000, but it could not hold above \$100,000. If it held \$150,000 of debt, it would have to sell it to somebody else; and it could not sell it when the company had failed.

Mr. FESS. The Senator will recognize that Ohio has four cities of considerably over 300,000 population each and five others of over 100,000.

Mr. KEAN. Yes.

Mr. FESS. It is quite a banking State; and from many of those cities I have had opposition specifically to this feature. Is there any effort to correct it in the bill?

Mr. KEAN. I have an amendment which corrects it. It is submitted that the true test of the amount of a bank's investment is the same as the test for the amount of a bank's loan; that is, the relation of the investment or the loan to the bank's capital and surplus and not whether or not the investment or loan represents more than 10 per cent of the debtor's obligation of a particular issue.

The limitation of a bank's loan to one debtor to 10 per cent of the bank's capital and surplus is further limited by including loans to any subsidiary of the debtor. This provision may be sound in principle, but there must be many large railroad, utility, and industrial groups which would be affected by this amendment and which can not now establish new lines of credit. Unless time for compliance with the limitation is given, many large companies may be made unable to meet their obligations.

The bill proposes the abolition of all affiliates where the connection between the bank and the affiliate is represented by stock certificates, and permits in a different technical situation the continuance of some affiliates. For example, a holding company controlling a bank may also control a trust-company affiliate, but not a security affiliate. Also, some State banks and trust companies have charter authority to own shares of stock; and any affiliate of these banks and trust companies may be, and frequently is, a wholly owned subsidiary of the State bank or trust company. The ownership of these affiliates is not affected by the bill.

I should like to say in this connection, Mr. President, that there is a strong feeling among the State banks and trust companies all over the United States owning more than \$200,000,000 of stocks that if this bill passes they will either have to get out of the Federal reserve system or else take a perfectly enormous loss on the stocks they now hold.

National banks, having no authority to own shares of stock, have been obliged to link their trust-company affiliates and security affiliates through the identity of stock ownership of the affiliate with the shareholders of the national bank. The practical effect, therefore, of the provision that a national bank stock certificate shall not be tied up with the certificate of stock of any other corporation is to eliminate trust-company and security-company affiliates if the bank continues to remain in the national system.

I would like to say there, Mr. President, that there are a great many banks all over the United States which have built large banking houses, and in order to finance them they have created affiliates, to which their stockholders have subscribed. They have put mortgages on the banking houses and the stock of the bank and the stock of the affiliates is identical. So that if this bill becomes a law and these affiliates are separated, then they would have to separate the stock, and there would be one man owning a few shares representing the building, another man owning a few shares representing the bank, and under those circumstances the man owning the shares representing the building would say that the bank was not paying him enough rent, and the man owning the shares of the bank would say that the bank was paying too much rent. There would be a continual squab-

ble, whereas under the law as it stands now, where the stockholder is the same in both cases, trouble of that kind is avoided.

State banks and trust companies which now have a security affiliate as a wholly owned subsidiary are not affected by the bill. It is true there is a provision in section 5 affecting banks admitted to membership after the passage of the bill which would, if the bill is in that respect constitutional, deprive such banks of the right to own stock in a subsidiary. This, however, does not seem to be applicable to State banks and trust companies now members of the system.

Trust companies were originally affiliated with national banks when national banks did not have the authority to exercise trust powers. During their existence these State trust companies have become trustees under many deeds of trust. It is exceedingly doubtful, under the existing law, whether one of these trust companies can be consolidated with a national bank without destroying the authority to act as trustee under existing trusts. National banks now have trust powers, and it could not have been the intention of the bill to change the existing policy of the law by eliminating this branch of a national bank's organization simply because a separate corporation had to be originally employed. One practical solution, if the bill becomes law in its present form, might be for the national bank to become a State bank and consolidate with the trust company under the trust company's charter, but this means a weakening of the national-bank system.

It is submitted that the elimination of any unsound practices of banks through security affiliates which Congress may wish to correct can be adequately reached by the provisions in the bill for examination and report of affiliates and by the power given the Federal Reserve Board to maintain sound credit conditions and to restrict the availability of 15-day loans to member banks.

The report from affiliates, which is to be published, requires a statement of "the expense of operation for the preceding year," but not a profit and loss account. It would seem the latter item was more informing to the public and more usual in any corporate report. The provision for publication of the affiliate's entire portfolio, if it is borrowing from any bank 5 per cent or 10 per cent of its parent bank's capital and surplus, appears to be important to the lending bank, not the public, and the common sense of this requirement can not be seen.

An opinion has been written on the Glass bill by Dr. Benjamin M. Anderson, jr., economist of the Chase National Bank, of New York, which I send to the desk and ask to be inserted in the RECORD as a part of my remarks.

The VICE PRESIDENT. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

[The Chase Economic Bulletin, Vol. XII, No. 1, issued April 25, 1932, on Proposed Banking Legislation, by Benjamin M. Anderson, jr., Ph. D., economist of the Chase National Bank, of the city of New York, discusses the Glass bill]

The revised Glass bill, S. 4412, voted by the Senate Committee on Banking and Currency on April 16, though a much softened document as compared with S. 4115, still retains the essentially wrong point of view of the original measure. It is aimed at symptoms rather than causes. Designed to prevent a repetition of the speculative orgy of 1928-29, and the abuse of bank credit and financial machinery which that speculative orgy involved, it actually contains no provisions which, had they been in effect in 1928-29 and in the preceding period when the unsound situation was created, would have prevented the main evils of that period.

The earlier Glass bill was designed to sweep away a great body of financial practices which have grown up by an evolutionary process in the country, and which have, on the whole, worked well. The new bill is less sweeping in its scope, but is unchanged in spirit. In the years 1928-29 these normal financial practices obviously and notoriously worked very badly, with results which have been disastrous for the country and for the world. Less obviously but demonstrably, they were being perverted and poisoned in the years which preceded, the process beginning, in fact, in early 1922 and moving rapidly from the middle of 1924 to the end of 1927.

The remedy is not to be found in striking at the financial practices and institutions which were thus perverted and poisoned. The remedy is rather to eliminate for the future the poison which perverted them. That poison is a general excess of bank credit

at artificially low rates, growing out of excessive bank reserves, the control of which rests with the open-market policy and discount policy of the Federal reserve system. The original Glass bill contained some provisions aimed at preventing overrapid expansion of bank credit in the future. The present measure contains practically nothing that would work in this direction.

The new bill does contain, however, many important provisions which would make a great deal of unnecessary disturbance in the banking situation and less sound rather than sounder conditions in the securities market and in the general banking situation. Among these may be especially mentioned the provision designed to force branch banking on States which do not want it; those aimed at abolishing the security affiliates of chartered banks; those drastically limiting the ability of banks to engage in buying and selling bonds; the provision restricting bank loans to consolidated businesses; the provision dealing with brokers' loans "for account of others"; and the provision taxing solvent banks for the purpose of liquidating insolvent banks, which is apparently an opening wedge for the permanent adoption by the Federal Government of the policy, already proved unsound by various States, of bank deposit guaranty.

#### SENATOR GLASS'S DISAPPOINTMENT

The present writer entertains a great respect for Senator GLASS and shares his disappointment that so many of the purposes of the Federal reserve act have been defeated. Senator GLASS had supposed that he had created a commercial paper system, under which Federal reserve credit would expand and contract with the needs of trade, as manifested by the rediscount of commercial paper. The original act authorized the use of Government bonds as a basis for Federal reserve credit, but the total of Government bonds in existence was only about a billion dollars, of which seven hundred millions was used as security for national bank notes. Much of the rest was in trust funds, leaving too small a floating supply to serve as a real basis for Federal reserve credit. The war and the great issue of Liberty bonds spoiled the original plan. Since early 1917 Federal reserve credit has been governed rather (a) by the fiscal needs of the Treasury, or (b) by the policy of the Federal reserve authorities.

#### THE BASIC CAUSE—CHEAP MONEY AND BANK EXPANSION

A physician, dealing with a diphtheria patient, does not employ a wide range of remedies for each of the symptoms. Instead he uses a serum to control the germ. For the past 11 years the Chase Economic Bulletin has been tracing the progress of the disease which culminated in the mad symptoms of 1929 and in the disasters which followed, and protesting against the original infection and the continued reinfections. From January, 1922, to April 11 of 1928 the loans and investments of the commercial banks of the United States (savings banks and private banks excluded) increased fourteen and one-half billion dollars, while their deposits increased thirteen and one-half billion dollars. This very great and wholly unnecessary expansion of bank credit may be compared with that which was necessary to finance and win the war. Between April of 1917 and December of 1918 we financed the four Liberty loans and a great volume of short-term Government paper. We transformed industry from a peace-time to a war-time basis. We did business on a very high and rising level of commodity prices. We sent an immense army to France and built a merchant marine. To accomplish this we expanded bank credit by \$5,800,000,000 in deposits and seven billions in loans and investments. The expansion, more than twice as great, from the middle of 1922 to April of 1928, on the other hand, was added to a volume of credit already greater than commerce needed, and went into noncommercial uses, notably real-estate mortgage loans, installment finance, bank investments in bonds, including foreign bonds, and stock and bond collateral loans, including loans on foreign securities.

#### THE CAUSES OF THE EXPANSION

Three abnormal circumstances made this expansion: (1) Gold came to us from the outside world in great quantity. (2) The Federal reserve banks intensified the influence of this incoming gold by keeping their rediscount rates below the market and by engaging on a great scale in open-market purchases of Government securities and acceptances. These two things in combination made bank reserves excessive through practically all the period, and when bank reserves are excessive bank credit expands rapidly. (3) The low reserve requirements of member banks, reduced by the war-time amendments to the Federal reserve act, greatly intensified the influence of excessive reserves.

#### STAGES IN FEDERAL RESERVE POLICY

Heavy buying of Government securities in 1922 started a boom which created alarm and led to a reversal of Federal reserve policy in early 1923. In 1924 the Federal reserve authorities bought Government securities on a gigantic scale and reduced rediscount rates and acceptance rates to very low levels. Bank expansion grew by leaps and bounds. The stock market rose, and a great flood of new securities was issued, including approximately a billion dollars of foreign securities. In 1927 an immense new move in the direction of cheap money began.

#### THE DRAMATIC ABUSES AGAINST WHICH THE GLASS BILL IS AIMED FOLLOWED THE CHEAP MONEY EPISODE OF 1927

The worst of the evils at which the Glass bill is aimed followed this last episode. (1) The stock market started its wild and apparently uncontrollable rise. (2) The immense issue of investment trust securities followed, though there had been a substantial amount of this before. (3) There was a rapid multiplica-

tion of investment and financial institutions of all kinds—finance companies, houses for underwriting, wholesaling and retailing of securities, including security affiliates of banks, and branch offices of brokerage houses. (4) The rapid throwing together of banks through holding companies, with rapidly rising prices of bank stocks and holding company stocks followed. (5) The most reckless issue of unsound securities of various kinds followed. (6) The largest volume of foreign securities placed in any 12 months' period took place from the middle of 1927 to the middle of 1928, when the total exceeded \$1,800,000,000 publicly placed, refunding excluded. (7) The great increase in brokers' loans followed, the total figure rising from a little over three billions in early 1927 to over eight billions in October of 1929. (8) Brokers' loans "for account of others" rose, according to the Federal reserve figures, from about \$700,000,000 in early 1927 to a peak of \$3,907,000,000 in October of 1929, while the total of these "outside loans," if we add to the Federal reserve figures the additional items reported by the stock exchange itself, increased from a little over a billion in early 1927 to over five billions in October, 1929. (9) Bank credit expanded with startling rapidity from July 27, 1927, to January 4, 1928, the increase for the commercial banks being \$3,361,000,000 in loans and investments, and \$3,117,000,000 in deposits.

All of these main symptoms can be related to one common cause—cheap money and excessive credit.

#### APPARENT ABUNDANCE OF INVESTORS' MONEY AND GREAT VOLUME OF "BROKERS' LOANS FOR ACCOUNT OF OTHERS" IN 1928-29 GREW OUT OF THE BANK EXPANSION WHICH HAD PRECEDED

(a) Old investments displaced: There was an apparent abundance of investors' money from the middle of 1924 till toward the end of the boom. But it was not new savings. Here is a concrete instance. A joint-stock land bank in Missouri floated a bond issue in New York. The syndicate which took the issue borrowed from New York banks to get the money while the bonds were being placed, receiving deposits with the New York banks—a process of bank expansion. The deposits were transferred to a large city in Missouri. Then part of the deposits were transferred to an interior town in Missouri, where an old 7 per cent farm mortgage that had stood for many years was refunded at a lower rate. The mortgagee, a lady, was paid off. She sent the funds to New York to buy some bonds. This was investors' money coming to New York from the interior, but it started in bank expansion in New York. The lady did not save that money. She inherited it. Her father saved that money 40 years before. All over the country, in this process of bank expansion, there was a similar shifting and switching about of old displaced investments.

(b) The new securities issued in excess of needs created huge cash assets for corporations, foreign banks, and others, which was the source of "brokers' loans for account of others." Never before in our history was any such volume of nonbanking money available for brokers' loans.

Expansion had gone so far and so fast before the stock market got wild, and before the money rates got high in 1928 and 1929, that when the Federal reserve system tried to put the brakes on gently it found itself pumping back again the funds it had previously put out, which helped to defeat its efforts to control the situation.

If the water is allowed to overflow in the tub of an upstairs bathroom for five minutes it is a fairly simple matter to "mop up" when you turn off the tap. But if you let it overflow for six years and then turn off the tap, you have a tremendous amount of pumping to do before you get the house dry again. And long after you have pumped enough to take up the water in sight you find water pouring in from the interior of the walls and from other unexpected places—this is assuming a very strong house which doesn't collapse entirely.

#### LEGISLATION CONTROLLING DETAILS UNSATISFACTORY

The real remedy lies in control of the money market by sound Federal reserve policy. The crux of the matter is therefore not to be found in detailed points relating to procedure in placing brokers' loans, or with respect to security affiliates, or loans on securities or similar matters. If credit is not excessive, most of the abuses will disappear. It is desirable that good bankers should have freedom of action to use their best judgment. Bad bankers get their inking when funds are excessive and when the speculative spirit runs wild. The commercial customers of banks have first call on loan funds. If the total of loan funds is not excessive, the stock market will not get too much.

#### BRANCH BANKING FORCED ON STATES THAT OBJECT TO IT

Here, as elsewhere in the Glass bill, there is a striking at symptoms rather than causes. The assumption that our banking troubles in the past few years are due to unit banking is pure assumption. Branch banking systems and unit banking systems alike have suffered in the great world crisis. When a great branch banking system gets into trouble, the consequences are very widespread indeed. In several foreign countries this has necessitated the placing of the credit of the government behind the banks, and in some countries the burden has been too heavy for the governments, with the result of impaired public credit and currency depreciation. Our unit banking system, like everything else in our financial machinery, was perverted and demoralized by the appalling expansion of bank credit based on excess reserves.

The passage of this provision would force a very undesirable competition among great banks in major cities for the acquisition of branches throughout their States. The more conservative bankers would enter it reluctantly but would be forced into it "to protect their positions." The requirement that the Federal

Reserve Board give its approval could not be an adequate safeguard, since the Federal Reserve Board could not play favorites among banks. Concretely, it seems to me definitely undesirable that the great banks of the city of New York should be reaching out over the State of New York, and for 50 miles into New Jersey, with an occasional foray into Connecticut, in such a competitive struggle.

#### SECURITY AFFILIATES OF BANKS

Before the great chartered banks developed security affiliates, the business of underwriting securities was primarily in the hands of a few great private bankers. Complaints of a "money trust," of a capital market virtually closed to all who would not deal with a few great private bankers, were frequently made. The charges were exaggerated but contained an element of truth. The security affiliates of great banks, chartered by the Federal Government or by the States, have undoubtedly introduced a needed competitive element.

This has been done without putting the funds of the depositors of the banks at the risks of the market. The security affiliate, separately capitalized, risks its own funds but not the bank's funds in underwritings.

In the period from 1924 to 1929, when the whole financial picture was distorted by the startling excess of money-market funds, the security affiliates of banks, as well as private investment bankers, made many mistakes and contributed to the over-issue of securities. The mistakes are admitted. One of the chief activities to-day of the great security affiliates, as of the stronger private banking houses, is trying to rectify the mistakes and to salvage as much as can be salvaged for the unfortunate investors who bought the securities that were overissued during this period. Many of the foreign loans issued during this period were brought out by small houses which are no longer in existence. The affiliates of the great chartered institutions to-day have agents in foreign countries, not making new loans, but working to see to it, as far as may be, that coupons are collected and amortization payments made.

That security affiliates and other corporate affiliates of great banks should be examined and regulated by the authorities which charter the great banks themselves is thoroughly desirable. But that, properly examined and regulated, they have a distinct and useful place in our financial system, seems also clear. To abolish the issue of new securities, in a country whose business is so largely in the hands of corporations accustomed to obtaining new capital from the public for the expansion of business, would clearly be industrial suicide. To throw the issue of securities back into the hands of private bankers little subject to public authority, as proposed in the Glass bill, could hardly improve the picture.

#### LIMITATIONS ON LOANS TO CONSOLIDATED BUSINESSES

The provision that in lending to a consolidated business and to its subsidiaries the loan limit of 10 per cent of the capital and surplus of the bank shall be construed as covering the total of loans to the corporation and to all of its subsidiaries is a purely arbitrary provision which would seriously hamper regular commercial banking. The decision here is one for the credit man in the individual case. Legislation can not create good credit analysis, and arbitrary legislation with respect to these matters is greatly to be deplored.

#### UNREASONABLE LIMITATIONS ON BANK INVESTMENTS IN BONDS

The Glass bill forbids member banks to underwrite bonds or to buy and sell bonds for their own account but permits the comptroller to allow certain purchases of investment securities under the following restriction: The total amount of any issue of any one obligor or maker shall not exceed at any time 10 per cent of the total amount of such issue outstanding.

The Chase Economic Bulletin has for many years contended that, as a result of the excess cheap money running far beyond the needs of commerce, member banks were buying altogether too many bonds. Bank investment policy, like everything else in the financial system, was distorted, and the consequent losses of banks on bond account have been fearful. This is particularly true of the smaller banks and country banks, which bought many bonds with high yield and narrow market. The great city banks, sacrificing yield to safety and liquidity, bought a much higher percentage of Government securities and short maturities. But here, as elsewhere, the Glass bill aims at symptoms rather than causes.

As a general rule of investment policy, a bank would not ordinarily buy more than 10 per cent of any one issue, but circumstances can easily arise where a large bank might be justified in buying the whole of a particular issue. A bank might have a loan to a business corporation made in anticipation of the placing of a bond issue and the state of the bond market might preclude a public issue. The bank might very well improve its position by accepting an issue of bonds from the borrower in place of the slow loan. It is a question of judgment.

The next few years will see, as is always true after crises, many reorganizations in which banks and creditors' committees of several banks, will be obliged to accept what payment they can get from customers who are hard pressed and unable to meet maturing loans. The bank policy is to keep such debtors "going concerns," if the management is good, rather than force them into bankruptcy, and it is often wise to put the debt into funded form rather than to have floating debt imperil the life of the business at every maturity. These bonds, held by the bank or banks through several years, while the corporation is improving its position, putting earnings back into surplus, and accumulating a margin of capital, ultimately may become good marketable securities.

This new section will impair the bond market a great deal, lessen the salability of bonds, and force the withdrawal from the bond market of very important and useful trading activities of great well-informed banks.

Finally, it will lessen sharply the ability of banks to aid in crises. It is absolutely necessary at times that the great banks should be in a position to underwrite refunding bond issues when great railroads or industrial corporations have large maturities in crises. A case in point is the refunding issues of \$230,000,000 of the Great Northern and Northern Pacific Railroads in 1921, which would have been a failure, with disastrous consequences to the country, if the great banks had not helped out.

Many deviations from regular banking policy are called for in crises. The writer welcomes the provisions of the Glass bill giving greater supervisory authority to the comptroller and the Federal reserve authorities in these matters. But he protests against legal restrictions which would hamper the comptroller, Federal reserve authorities, and banks, all three, in the concerted measures which they take in times of public emergency.

#### BLUE, PINK, AND YELLOW MONEY

The Glass bill proceeds on the theory that it is possible to keep different kinds of money in water-tight compartments and, in particular, to make money scarce and dear for stock-market purposes while keeping it cheap for commercial uses. The earlier Glass bill proposed to accomplish this by requiring the Federal reserve banks to refuse rediscounts to member banks for the purpose of lending on securities or carrying loans on securities. The new bill contains a rather feeble authorization to the Federal reserve authorities to do this—a power which they already had and which the Federal reserve authorities, in an announcement dated February 7, 1929, asserted but used ineffectively.

But loans and discounts to member banks constitute only one of three ways in which Federal reserve credit is expanded. In the autumn of 1928, when the Federal reserve banks were trying to hold down stock-market speculation, they made large purchases of acceptances representing commercial transactions. The stock exchange got the money. There is nothing in the Glass bill to prevent a recurrence of this. The Glass bill would not in any way have restricted the stock-exchange boom of 1924 based on Federal reserve open-market purchases in that year. The Glass bill would in no way have interfered with the expansion of Federal reserve credit or the rise in security prices from July, 1927, to February, 1928.

When the Federal reserve authorities put out credit, the first bank to receive it may know that it is new Federal reserve credit, and, wishing to obey the spirit of the law, may refrain from employing the money in security loans. It may use it to buy Government securities or even commercial paper. But as the money passes on to another bank its identity is absolutely lost in the general stream of funds. The second bank, with a clear conscience, lends its money at the money post of the stock exchange. The money is blue when the Federal reserve bank puts it out, it becomes pink in the possession of the first bank, but it becomes definitely yellow once it gets into the hands of the second bank.

There has grown up an appalling fear of raising rediscount rates to restrict speculation or for any other purpose, and the theory persists that money can be kept in water-tight compartments, cheap for commerce and dear for speculation. The fact is that any restriction of money for speculative uses must involve a general tightening of money.

#### CONTROL OF THE MONEY MARKET

If the total of money-market funds is excessive, speculative abuses will arise. Efforts to control the direction of funds are, in the first place, largely futile; and, in the second place, if effective, constitute no safeguard against dangerous speculation, because that can arise in every imaginable field. Security speculation was conspicuous in 1928-29; but commodity speculation, financed with excessive credit, was the conspicuous thing in 1919-20. The Glass bill seems to have forgotten 1919-20 and to look only at 1928-29.

The heart of the problem is in the control of the total of money-market funds. The technique of this control is old and well known. It consists in keeping rediscount rates above the market rates for the particular kind of paper rediscounted and in using open-market operations for the purpose of taking up slack as well as for the purpose of relieving tension in the money market. Open-market policy and discount-rate policy must work together. Open-market policy can be effective in checking overexpansion of credit only if buttressed behind a rediscount rate above the market. It is to these matters that the Glass bill should address itself if it wishes to prevent a repetition of speculative abuses in the future.

#### INCREASED SUPERVISION BY THE COMPTROLLER AND FEDERAL RESERVE AUTHORITIES

The writer sympathizes with the Glass bill's provisions which increase supervisory powers on the part of the Federal reserve system and the Comptroller of the Currency. Security affiliates should be subject to examination and regulation. The Federal reserve authorities and the comptroller should be able to restrain individual banks engaging in unsound practices and to dismiss bank officials who persist in unsound practices after being warned. The writer is glad to see that in the new version of the Glass bill the committee has accepted the suggestions of the governor of the Federal Reserve Board designed to prevent the arbitrary use of these increased supervisory powers.

## TAKING GOOD BANKS TO LIQUIDATE POOR ONES

That the Government should compel the member banks to subscribe their shareholders' money to stock in a corporation to liquidate failed banks is absolutely unjust. The term "guaranty of bank deposits" is not used in the Glass bill, but the proposal pretty clearly points in that direction. Various States have tried the guaranty of bank deposits. The results have been disastrous. Bad bankers have enjoyed public confidence because of the guaranty fund behind them, and, in their failures, they have exhausted the guaranty funds.

The stock which the banks are compelled to buy can not possibly be a good investment. The liquidating corporation is handicapped from the start. It can incur substantial losses, but it can not make substantial profits to offset these losses, because if it makes profits from selling the assets which it purchases from a failed bank, it is obliged to return the profit to the receiver of the failed bank, less an 8 per cent liquidation fee.

## POLITICAL VERSUS BANKING CONTROL OF THE FEDERAL RESERVE SYSTEM

The original Federal reserve act was meant to accomplish a compromise between banking control and Government control of the Federal reserve system. All the developments since have been in the direction of increasing political control. To support the credit of the Government during the war, all elements willingly surrendered to the policy of the Treasury. The Federal reserve board, politically appointed, has increasingly asserted authority over the Federal reserve banks. The Glass bill seems designed to intensify this and to make the Federal reserve system almost wholly political, though it will reduce Treasury control through eliminating the Secretary of the Treasury from the Federal Reserve Board. I believe that the Federal reserve system should be freed from political control and that it should be guided by technical banking principles, administered by trained bankers. I believe that many of the new regulatory functions which are being given to the Federal reserve system by the new legislation would be better handled by the individual Federal reserve banks than by the Federal Reserve Board.

Mr. KEAN. Mr. President, the first part of the bill defines what an affiliate of a bank is and defines it on such broad lines that it will probably take in some companies as affiliates of banks which are neither controlled by the banks nor are subject to their dictation, and therefore may refuse to allow a bank examiner to examine their affairs, and under these circumstances would place the banks in a position where, from no fault of their own, their charters may be forfeited.

On page 8 of Senate bill 4412, lines 5 to 19, State member banks are urged to come into the Federal reserve system on the promise that all the rights contained in their charter would remain unabridged. This section would force the State banks to part with stocks worth more than \$200,000,000 which they now legally hold, in a market which is so depressed that it is doubtful what they could realize on them.

The bill also creates a liquidating corporation. The capital for this corporation is subscribed for as follows: One hundred and twenty-five million dollars out of the Treasury of the United States.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. KEAN. I yield.

Mr. WHEELER. I have heard the Senator many times express his views with reference to the Government engaging in business, and I assume that he is not in favor of taking \$125,000,000 out of the Treasury of the United States and turning it over to the Federal reserve banks. Is that correct?

Mr. KEAN. I am not in favor of taking it away from the member banks, because, as I have said, they have to keep 13 per cent of every dollar they receive, without interest, and this clause would make it necessary for them to keep 16.30 per cent.

Mr. WHEELER. Is the Senator in favor of taking \$125,000,000 out of the Treasury of the United States and turning it over to these banks, making a gift to them?

Mr. KEAN. I think I am.

Mr. WHEELER. The Senator thinks he is?

Mr. KEAN. Yes.

Mr. WHEELER. What excuse can the Senator give for taking \$125,000,000 out of the Treasury of the United States and giving it to the banks, any more than he could excuse taking \$125,000,000 out of the Treasury of the United States and giving it to any other group of individuals?

Mr. KEAN. This, of course, is money that has been paid in by the Federal reserve banks, and the object of this measure is to try to form a liquidating corporation. I would be in favor of the United States lending this money to this corporation, and have the Federal reserve banks paying it back to the United States in full, with interest. I would be in favor of that. But I think that the Federal reserve banks should put up a large part of the money, because they have been very prosperous, they have made a great deal of money out of the member banks, and they are making money all the time. I think they are the people who ought to create this fund to take care of any failed banks.

Mr. WHEELER. I am glad to hear the Senator say that, because I agree thoroughly that the money that is put up ought to be paid out of the Federal reserve banks, but that it should not be taken out of the Treasury of the United States. There is no more justification for appropriating \$125,000,000 or \$150,000,000 out of the Treasury of the United States and giving it to these banks than there would be for the United States Steel Co., or a railroad company, saying, "I have paid in so much money in taxes, and now I want you to appropriate \$125,000,000 and give it to me." Or for farmers to say, "We paid taxes, and we think they were illegal, and now, after having paid them in, we want a gift of \$125,000,000."

Mr. KEAN. We have already loaned a large sum of money to the farmers.

Mr. WHEELER. I am not objecting, if it is the policy to lend it to them. That is quite different. But to make an outright gift to them I think is indefensible.

Mr. KEAN. Mr. President, if the Senator will offer an amendment providing that this money shall be loaned at 4 per cent interest, I shall be glad to vote for such an amendment.

Mr. WHEELER. I have no objection to making a loan, but I say that for Congress to appropriate money out of the Treasury of the United States and give it to the banks, just on the theory that they have paid it in and that we are going to give it back, can not be justified, and it will come to meet every man who votes for such an appropriation.

Mr. WALCOTT. Mr. President, will the Senator from New Jersey yield to me?

Mr. KEAN. I yield.

Mr. WALCOTT. For the sake of accuracy of the record, I would like to explain to the Senator from Montana that while this is a contribution from the Federal Treasury of \$125,000,000, it comes out of a fund in the Treasury which has belonged to the Federal reserve system. It is not given directly to the banks, but to the liquidating corporation, so called, which is to be set up, and the capital of which is to be formed, not only by the contribution from the Federal Treasury but by a contribution amounting to one-eighth of 1 per cent of the deposits of the member banks, which will subscribe this amount in case it is asked for to this liquidating corporation, to establish a fund as a guaranty to the depositors of failed banks within the system. I say that merely to straighten the record.

Mr. WHEELER. The Senator is not straightening the record, because this means \$125,000,000, or whatever the sum is, which belongs to the Government of the United States, and the proposal is to take \$125,000,000 which belongs to the Government of the United States and appropriate it as a gift to this corporation which is proposed to be organized. I say it can not be justified on either a moral or a legal basis.

Mr. WALCOTT. The part I wanted to correct with the Senator from Montana was his claim that this money was to be given to the banks. This is to be given to a new corporation to be set up, and it is for the sake of protecting the deposits of failed banks; and a very much milder form of protecting failed banks than the bill which has recently been proposed in the House for the guarantee of bank deposits.

Mr. WHEELER. What justification is there for taking \$125,000,000 out of the Treasury and giving it to the banks,

money which has been paid into the Treasury of the United States, taking it out and giving it to this corporation? As the Senator from New Jersey [Mr. KEAN] has said, the Federal reserve bank is very wealthy. I am not familiar with the figures, but they themselves are the ones who have given that information. I am very much opposed to the proposal, and still say that it can not be justified on any basis.

Mr. GLASS. Mr. President, will the Senator from New Jersey yield to me?

Mr. KEAN. I yield.

Mr. GLASS. The justification of it is that the Federal Treasury never should have received a dollar of that money. Speaking of the equities of the case, the Federal Government never rendered any service for a dollar of the more than \$150,000,000 it derived from the profits of the Federal reserve banks.

Mr. WHEELER. If the Senator from New Jersey will pardon a further interruption, let me say that I violently disagree with the Senator from Virginia with reference to his statement that the Federal Government has not rendered any service to these banks, because everybody who knows anything about the banking system knows that the Government of the United States, when it gives them the privilege of issuing money and lending that money at interest, is rendering a service to the banks of this country. To say that this money was wrongly paid in is just like having somebody come and say that the United States Steel Co. wrongfully paid in too much in the way of taxes because we formerly taxed them too much and that now we ought to give the money back.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Minnesota?

Mr. KEAN. I yield.

Mr. SHIPSTEAD. I want to say with reference to what the Senator from Montana said that when the Government grants the right to a corporation to issue money it grants the greatest privilege which can be given to any corporation.

Mr. GLASS. As a matter of textual fact, the Government grants no such right to a Federal reserve bank. It is a Government note, and the text of the law says it shall be so considered as a note of the United States, so that the Federal Government simply uses the Federal reserve bank as an instrumentality for issuing the Government notes.

Mr. BLAINE. Mr. President—

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Wisconsin?

Mr. KEAN. I yield.

Mr. BLAINE. Is not this the situation, that the Federal reserve system issues two classes of circulating medium, one a Federal reserve note and the other a Federal reserve bank note? The Federal reserve bank notes have back of them Government bonds.

Mr. KEAN. The member banks have a right to use the 2 per cent bonds of the United States for the purpose of issuing notes to a limited extent, but those are the old notes that they had a right to issue prior to the establishment of the Federal reserve banks.

Mr. BLAINE. But the Federal reserve bank notes, of which \$2,800,000,000 is outstanding, are backed by Federal bonds.

Mr. KEAN. Not the Federal reserve notes.

Mr. BLAINE. No; the Federal reserve bank notes.

Mr. KEAN. No; the member bank notes.

Mr. GLASS. The Senator from Wisconsin is exactly right. The Federal reserve banks under the law have acquired several million dollars of bonds with a circulating privilege by purchase from the member banks. The Senator from Wisconsin is exactly right. There are two species of notes, one which is called the Federal reserve notes, which are really in the text of the law designated as Government notes, and the other Federal reserve bank notes issued upon the basis of the bonds acquired by purchase by the Federal reserve banks from the member banks.

Mr. KEAN. But they also are member bank notes.

Mr. BLAINE. Mr. President, if the Senator will yield further—

Mr. KEAN. Certainly.

Mr. BLAINE. After confirmation by the Senator from Virginia of my understanding of the matter, the Federal reserve notes, of which there are outstanding about \$3,000,000,000, are all guaranteed by the Government of the United States, are they not?

Mr. KEAN. Practically.

Mr. BLAINE. In other words, if the Federal reserve system defaulted—that is, if whatever bank issued the notes defaulted on those Federal reserve notes—then the holders of those notes would have a right to go to the Treasury of the United States and demand from the Treasurer the full amount of the notes in gold. That is correct, is it not?

Mr. KEAN. I do not know that they would have the right to demand. They might ask.

Mr. BLAINE. They may demand, since the Government has guaranteed them. I think I can assure the Senator on behalf of the Government that if he holds a Government note and the issuing institution has defaulted and is insolvent, if he walks down to the office of Mr. Ogden Mills and presents those notes he will receive currency or gold, whichever he requests, 100 cents on the dollar.

Mr. KEAN. In currency.

Mr. BLAINE. I was giving the Senator assurance, and I think I am correct. The Government having obligated itself as accommodation maker, putting it that way, or as guarantor and as well the surety, why should not the system pay something to the Government inasmuch as the Government holds the entire bag under the circumstances?

Mr. KEAN. I agree entirely with the Senator from Wisconsin that they should; but there are also member bank notes outstanding, and the Government keeps a fund on hand to redeem any of those notes if any bank should fail. If the Senator could get the old charters of all the national banks that have failed and get the Government to make good on its guaranty on those notes, I think the Senator would get a very handsome sum of money.

Mr. BLAINE. Mr. President, will the Senator yield further?

The PRESIDING OFFICER (Mr. Fess in the chair). Does the Senator from New Jersey yield further to the Senator from Wisconsin?

Mr. KEAN. I yield.

Mr. BLAINE. The national-bank notes issued by national banks—

Mr. KEAN. That is what I am talking about.

Mr. BLAINE. Those notes are backed up by the Government of the United States. That is, the national bank puts up bonds of the United States. Those bonds are payable in gold. Those bonds bear a certain rate of interest. Under the usual and customary practice that has prevailed in the past that rate of interest has been rather small. It is only 2 or 2¼ per cent.

Mr. KEAN. Two per cent.

Mr. BLAINE. The Government is paying the national banks 2 per cent on the circulating medium which the bank issues.

Mr. KEAN. Oh, no.

Mr. BLAINE. Indirectly it is paying 2 per cent to the banks on the bonds that have been put up and against which the circulating medium is issued.

Mr. KEAN. The trouble with the Senator's statement is, in the first place, that the Treasury always keeps 10 per cent of the notes here in Washington so that the banks only get 90 per cent. It figures out less than 90 per cent, because the Treasury keeps 10 per cent here in order to redeem any note that may be sent down here for redemption.

Mr. BLAINE. If the Senator will permit another interruption, my impression was that it was 5 per cent, though I may be mistaken in that.

Under the Glass-Steagall bill there may be issued circulating medium backed by 40 per cent gold and 60 per cent Government bonds. Those bonds may be any Government

bonds, Government bonds that bear a rate of interest as high as 4 or 4½ per cent per annum. On those bonds the Government is paying that rate of interest, and the system is entitled to issue circulating medium against those bonds to the amount of 60 per cent of the bonds. Sixty per cent of 4 or 4½ per cent would be about 2.48 or 2.50, I will say for convenience. The Government pays interest in effect, indirectly, of course, upon that circulating medium and the Government is responsible for those notes. The Government must redeem those notes. Why should the Government be the guarantor, the surety, the accommodation maker, without some compensation, without something that would compensate the Government of the United States in case it was called upon to redeem any of the circulating medium? I think I have stated the situation correctly. I hope the Senator will give us the benefit of his views.

Mr. KEAN. The Government does receive something, because it receives taxes.

Mr. BLAINE. Does the Senator refer to that class of taxes which all citizens must pay under like conditions?

Mr. KEAN. No; I am talking about taxes on banks. There are other taxes which the Government receives.

Mr. BLAINE. Does the Senator refer to the one-half of 1 per cent tax on the circulating medium?

Mr. KEAN. Yes.

Mr. BLAINE. It is proposed to do away with that, as I understand.

Mr. KEAN. I do not know. That is not proposed in this bill.

Mr. BLAINE. The proposal is to repeal that part of the Federal reserve act which imposes the franchise tax, as I understand it.

Mr. KEAN. Perhaps the Senator from Virginia [Mr. GLASS] would answer that question.

Mr. GLASS. Mr. President, as a matter of fact the Government's responsibility is a mere figure of speech imposed upon the banks of the country over their unanimous protest. It does not amount to a thrip, because the notes issued would be redeemed twenty times over again before they ever reached the United States Treasury for redemption as a Government obligor. It is a mere figure of speech put in the bill by the late William J. Bryan, who was at that time Secretary of State. I have recited a very interesting incident touching that particular point.

I protested to the President of the United States against calling these notes "Government notes." I pointed out to him that behind the notes was the individual responsibility of the unit bank, the double liability of the stockholders of the unit bank, the double liability of the Federal reserve bank, and all of the assets of all 12 of the Federal reserve banks combined. Those were all behind the so-called Government notes.

I called his attention to the fact that nobody ever before in the history of the world knew anything about a Government note that could not be issued except upon the demand of a bank. His response was, indicating to me that there was a misconception of Mr. Wilson as a practical politician, "GLASS, that is all true; but if we can retain the substance and give the other fellow the shadow in order to pass your bank bill, why not do it?" I did so for that reason.

Mr. BLAINE. Mr. President, the Senator from New Jersey has been very generous in yielding, but in this connection will he suffer just another short interruption?

Mr. KEAN. Certainly.

Mr. BLAINE. I would like to inquire of the Senator from Virginia if he regards as a figure of speech or a shadow the interest the Government is paying on bonds which are hypothecated for the purpose of issuing this circulating medium?

Mr. GLASS. Oh, no; it is very real—not particularly real either—but it is nominal. The advantage that the Government derives from the system which it has established is vastly greater than the inconsequential interest that it pays on the bonds.

As I undertook to point out day before yesterday, the actual service, the practical service performed by the Federal

reserve bank for the Government without one cent of compensation exceeds, I would say, twenty times over again the worth of any privilege that the banks derive from the Government.

Mr. KEAN. The Government keeps its deposits with those banks, and that is of some value.

Mr. GLASS. Oh, the Government keeps its deposits in innumerable banks.

Mr. WHEELER. Mr. President, if the Senator from New Jersey will pardon me—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Montana?

Mr. KEAN. I yield.

Mr. WHEELER. Assuming that the Senator's statement is absolutely correct—

Mr. GLASS. It is absolutely correct.

Mr. WHEELER. I do not agree that these banks do not have a great privilege when they are given a monopoly to operate; but assuming the facts to be as stated, it is proposed to appropriate out of the Treasury of the United States \$125,000,000 and give it to a private institution. We are talking about economy and about cutting the wages of poor unfortunate employees who are having a hard time to make a living; we are refusing, if you please, to pass a law to give something to the unemployed in this country who are literally starving, and then Senators have the temerity to stand here on the floor of the Senate and propose to appropriate \$125,000,000, in the name, I suppose, of economy. When we are talking about economy, when we are talking about balancing the Budget, and when we are going to cut down the wages of employees, stenographers, and everybody else in the effort to balance the Budget, I say it is outrageous to take \$125,000,000 out of the Treasury and give it to a private institution.

Mr. GLASS. Yet I suspect, Mr. President, that the Senator from Montana was one of the Senators who voted for the Reconstruction Finance Corporation bill, which appropriated \$200,000,000 out of the Federal Treasury to take care of the deposits in banks over which the Government has no supervision at all.

Mr. WHEELER. The Senator is entirely mistaken in assuming that I voted for that bill.

Mr. GLASS. I may be mistaken, and therefore I said I simply suspected; but the Senate itself voted for it, the other House voted for it, the President approved it, and it is now the law.

Mr. WHEELER. Yes; but that is quite a different thing. As a matter of fact, it amounts to a loan of \$200,000,000, while this bill proposes to give almost as large a sum to a private institution.

Mr. KEAN. Mr. President, I have no doubt that the enactment of the Reconstruction Finance Corporation bill saved more than 200,000 people their homes, and various other things, and I am glad I voted for it.

Mr. GLASS. Mr. President, will the Senator permit me to interrupt him right there?

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Virginia?

Mr. KEAN. I yield.

Mr. GLASS. This bill is not for the benefit of the banks; it is for the benefit of the innocent depositors in the banks.

Mr. KEAN. I quite agree with the Senator from Virginia that the provision referred to is for the benefit of the depositors and is an effort to enable them to get back their money.

Mr. WHEELER. Of course, no one is contending otherwise; there is not any question but that many innocent depositors in national banks and in State banks have lost their money, and there are a tremendous number of innocent people in this country to-day who are suffering through no fault of their own.

Mr. KEAN. That is quite right.

Mr. WHEELER. But if the Government of the United States is going to take one special class and turn over \$125,000,000 to that class because a certain group who have had money in the banks have lost it, then it ought to go down the line and appropriate money out of the Treasury

of the United States and give it to every innocent person who has lost money through no fault of his own.

Mr. KEAN. As I told the Senator, I do not want to give it at all but want to lend it.

Mr. NORRIS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Nebraska?

Mr. KEAN. I yield.

Mr. NORRIS. This bill does not provide, does it, that the \$125,000,000 shall be used to pay depositors in failed banks now, but that it shall be used to build up a fund with which to pay depositors of failed banks in the future?

Mr. KEAN. No, Mr. President; the \$125,000,000 fund is derived in part from the Federal Treasury, in part from the subscriptions which the Federal reserve banks make, and from the subscriptions which the member banks make; and the fund thus collected can be used to pay depositors in banks that are now closed or that may close hereafter.

Under the bill the receiver of a failed bank may tender its assets to the liquidating corporation, on the basis of such valuation as may be agreed upon by a valuation committee composed of the receiver, a member selected by the directors of the bank, and a third member agreed upon by the receiver and the member thus selected. If the offer is sufficiently attractive, the liquidating corporation may give the receiver the money so that he can pay off in part the depositors of the failed bank. If the net amount realized by the liquidating corporation from the sale of the assets of the closed bank exceeds the amount originally paid to the receiver, the excess, after deducting a liquidating fee of 8 per cent, is returned to the receiver of the bank, so that he may distribute it as an additional dividend to the depositors. It is a very important provision of the bill. I am not sure that it will work, but I should like to see it work. I should like it arranged so that when a bank closes within 30 days 40 or 50 or 60 per cent of the deposits could be paid at once. I should be glad to vote for any bill which would bring about such a result that the depositors would not have to wait for a long time during which claims might be filed against the bank and long delays ensue. If there could be some way devised so that if a bank fails its depositors within 30 days could get 50 per cent of their money, thus enabling them to continue in business or to use it for their household necessities, I would be enthusiastic for such a measure.

Mr. President, I have recited the manner in which the liquidating corporation is formed under the provisions of the bill. Member banks are required to subscribe to its stock to the extent of one-eighth per cent of the total of their outstanding time and demand deposits as of July 1, 1932.

Mr. President, in the cities where Federal reserve banks are located there have been erected buildings, some of which might be described as palaces, for the respective Federal reserve banks; they have usually the finest offices in any town. The profit of the Federal reserve bank is largely derived from the poor little member banks that are in practical slavery to the Federal reserve system. The Federal reserve banks have made large sums of money. I can not state it as a fact, because I can not prove it, but it is probable that thousands of banks which have failed would not have failed if the Federal reserve system had allowed them 2 or 2½ per cent on the money which they were obliged to keep on deposit with the Federal reserve system.

For every dollar that the banks receive at the present time in deposits they have to keep a reserve, and what they keep in the Federal reserve bank and what they have to keep in cash amounts to 13 per cent. If this bill passes in its present form, it will make the country banks put up sixteen and a little over a quarter per cent of every dollar they receive from their depositors in the Federal reserve bank or keep it in cash, so that they will not be able to earn as much as heretofore. What a tremendous amount of money will be taken out of the little banks on which they will earn no interest!

Mr. METCALF. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Rhode Island?

Mr. KEAN. I yield.

Mr. METCALF. Will not the amount be something like \$70,000,000 that will thus be taken out of the banks?

Mr. KEAN. It will be a great deal more than that.

Mr. WALCOTT. It figures out about \$112,000,000 on the basis of a subscription of a quarter of 1 per cent.

Mr. KEAN. On the basis of a quarter of 1 per cent, the amount of \$112,000,000 will be taken from the small country banks and the big city banks. I am particularly speaking of the small country banks, for to them the Federal reserve system renders practically no service, though the small country banks are obliged to keep deposits there. If some one would propose it, I should be glad to vote for an amendment providing that every bank that did not borrow money from the Federal reserve banks should obtain interest on its money on deposit.

It is provided that the liquidating corporation shall be a depository of public moneys, except of receipts from customs. It also may be employed as a fiscal agent for the Government, and it shall perform all such reasonable duties as depository of public money and financial agent for the Government as may be required of it. Mr. President, I can not see, for the life of me, why it is desired to put in this bill a provision that the liquidating corporation shall be a Government depository and that it shall be a fiscal agent of the Government. The Federal reserve banks are already that, and why should there be in this bill a provision that the liquidating corporation shall be a fiscal agent of the Government and receive deposits of public moneys and act as financial agent of the Government, I can not see.

This bill also very largely increases the power of the Comptroller of the Currency. The bill in its present form will further cause deflation in the market because of the necessity of the banks parting with their present portfolio securities.

Mr. President, I think I have shown what this bill will do. I feel that in its present form it will do a great deal of harm to the banking system of the United States. We have passed two bills here—the Glass bill and the Reconstruction Finance Corporation bill—which have helped the situation tremendously. I feel that the passage of the bill in its present form will be a backward step and an injury to the financial interests of the country.

Mr. BLAINE. Mr. President, before the Senator takes his seat, I desire to say that I was interested in the suggestion he made that the bill would bring about further deflation. I assume that the Senator has in mind the restrictions respecting the use of Federal reserve credit in the stock market.

Mr. KEAN. I have in mind that member banks organized under the various State laws—State banks—have more than \$200,000,000 of stocks which, under this bill, they would have to sell at once; that many banks have bond departments in which they are holding bonds at the present time, although they may have gone down—they may be city bonds; they may be State bonds; they may be United States bonds—and they would have to do away with those bond departments. They would have to sell their bonds; and so, from step to step, taking it all together, there would be a tremendous amount of liquidation under this bill.

Mr. BLAINE. Mr. President, will the Senator yield for another question?

Mr. KEAN. Surely.

Mr. BLAINE. Assuming that we get out of the present depression within the next 12 or 18 months—of course, that is a violent assumption, but for the purpose of my question I am making that assumption—would this bill, by reason of its restriction on the use of Federal reserve credit, retard the development of industry?

Mr. KEAN. Surely.

Mr. BLAINE. Would it retard the development of new industry through the possibility of the new industry being unable to market its stocks and bonds, its securities? I

should like to have the opinion of the Senator on that question.

Mr. KEAN. In my opinion, one of the troubles with this bill is that it will eliminate all the distributors of securities, and that there will be no distributor of securities of large amounts with the exception of J. P. Morgan & Co. This bill is of such a nature that the only concern that will be able to take an issue of United States bonds or take an issue of any other large sum of money will be J. P. Morgan & Co.

Mr. BLAINE. That is, the Senator's view is that in issuing securities for new industries those who were organizing and promoting the new industries would find no place to go for credit except to the house of Morgan?

Mr. KEAN. That is my opinion, Mr. President.

Mr. BLAINE. Will the Senator tell me—perhaps I ought not to ask him this question—

Mr. KEAN. Go on.

Mr. BLAINE. It is probably due to my own failure to grasp the whole situation, but I should like to have the Senator's discussion as far as he wants to go upon the proposition as to how the bill would have the effect of directing all new industry to a large financial organization like the house of Morgan instead of to the credit possibilities of the Federal reserve system.

Mr. KEAN. Mr. President, at the present time most of the large banks have an affiliate which they have built up in the last 10 years with salesmen and customers who go out and distribute these securities. These men go from town to town, and they are known. They are known to the investor, and the consequence is that the banks that own these affiliates can and do distribute a large part of the securities that are issued in this country.

For instance, if we take any one of the cities, they have to get a syndicate together composed of half a dozen of these banks to take twenty-five or twenty millions of their bonds, and that is the only way in which they can distribute them. If we do away with the tools that are now used to distribute these securities, naturally practically the only tool of any size that will be left will be Messrs. J. P. Morgan & Co. It would be necessary to go to them; and whatever their price was it would have to be met.

Mr. BLAINE. Will the Senator yield for another question? We bolsheviks, radicals, and perhaps we might be characterized by some other name, such as "sons of wild jackasses," usually refer to the house of Morgan, but we are told that that is just a fiction, that there is no such thing as the house of Morgan. The Senator understands that the Bankers' Trust Co. organization with some \$26,000,000,000 of assets, the Guaranty Trust organization with some \$28,000,000,000 of assets, the National City Bank with something like \$18,000,000,000 of assets, and the Chase National Bank with something like \$33,000,000,000 of assets, all have a community of interest with the organization that we call the house of Morgan. Is that the Senator's understanding?

Mr. KEAN. Does the Senator want me to reply to that?

Mr. BLAINE. I should be glad to have the Senator's opinion.

Mr. KEAN. Mr. President, I will go back a good many years.

Years ago there were two dry-goods houses up in Hartford, Conn. Mr. Peabody, of London, who during the Civil War floated most of the United States bonds in London, came over here and was looking for a partner. He said that he was getting old, that he had lost touch with the business of the United States, and that he wanted a young partner who would be in touch with the merchants of the United States. He asked Mr. George Bliss whether he would not become a partner of his. Mr. Bliss was a partner of Mr. Levi P. Morton, who afterwards became Vice President of the United States.

Mr. Bliss said no; that he did not want to go to London, but that he knew a young man named Junius Morgan, who was a merchant in Hartford, and that he would recommend him as a partner for Mr. Peabody. So, Mr. Junius Morgan went over to London and became a partner of Mr. Peabody. Mr. Peabody died without children, and Mr. Junius Morgan

organized the firm of J. S. Morgan & Co. of London. He had a son named J. Pierpont Morgan, who went to college in Germany, and he telegraphed to his father that he had an opportunity of becoming professor of mathematics in this German university. His father telegraphed back to him that he had something else for him to do besides becoming a professor of mathematics in a German university. So he sent him over to this country, and in a few years he had an opportunity, and he became a partner of Mr. Anthony Drexel. The firm was Drexel, Morgan & Co. After that it became J. P. Morgan & Co. Mr. Morgan could run up three columns of figures just as easily as he could run up one. He built up the firm so that it became the largest banking firm in New York.

Of course, anybody making security issues and doing business on a very large scale has friends and opportunities of giving favors or interests to various banks and various individuals, and everybody in business is anxious to get what may be a "plum." That is, they may be able to make a little money out of an interest in this bond issue or that bond issue. The consequence is that there is that community of interest, if the Senator means that—not financially, but a community of interest whereby they get favors from one another, and the consequence is that J. P. Morgan & Co. divide the risk.

Say that they take \$20,000,000 of a security issue. Say that they divide that up so that their risk is four or five millions of dollars, and the rest is distributed around. They get a commission on it first, but it is distributed around so that nobody has any more risk than four or five million dollars. That is called a syndicate. They manage the syndicate; they sell the bonds; you get interest on your money, and a check, probably, for a small profit.

Everybody is anxious to go into these syndicates. Everybody is anxious to have a share in this business, and everybody helps sell the bonds. That is the interest that the Senator calls the house of Morgan; but the National City Bank, the Guaranty Co., and the Chase Bank, through Harris, Forbes & Co., may originate a syndicate, and they may give a share to Morgan.

Of course, what we want in this country is this: We want several concerns that will compete against each other to bid for these blocks of city bonds or blocks of industrial bonds, so that there will be an incentive for them to pay the highest price that the city or the industry can get for its bonds. That is what we want to have; that is what we want to receive; and if this bill is passed as it is, all chance of having this competition will be wiped out.

Mr. President, I ask to have printed in the RECORD as a part of my remarks the articles from the French papers by Mr. H. Parker Willis, which I send to the desk.

THE PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

(October 17, 1931)

THE MISSION OF MESSRS. FARNIER AND LACOUR-GAYET—A FRANCO-AMERICAN MONETARY AND BANKING AGREEMENT IS REALIZED

WASHINGTON, October 17.—I learn from a good source that Messrs. Farnier and Lacour-Gayet have arrived at an agreement with the authorities of the Federal reserve system. The Bank of France will leave here available deposits valued between two hundred and three hundred million dollars; two hundred millions will be freed on earmarked gold. The Federal reserve bank, to remain in line with this agreement, must be induced to raise the discount rate to 4 per cent, and even higher, and ask to practice a better selection of commercial paper to protect the gold coin and bullion, avoiding all securities not bankable or difficult to negotiate.

An investigation has shown that the amount of foreign credits still open here is \$1,200,000,000 and that of American credits abroad is \$600,000,000.

I might add that the American Government is paying respect to the attitude of France and is disposed to lend a favorable ear to Mr. Laval's proposals on various important subjects.

(October 14, 1931)

THE MISSION OF MESSRS. FARNIER AND LACOUR-GAYET IN NEW YORK

Possible withdrawals of short-term securities of the Bank of France. Messrs. Farnier and Lacour-Gayet arrived here Tuesday and spent the afternoon at the Federal reserve bank.

Financial circles believe they know that the mission of the representatives of the Bank of France consists especially in studying

the opportunity of the withdrawal from here of a large part of what remains of the short-term funds belonging to the Bank of France and thus possibly avoid an erroneous interpretation of the conferences with Mr. Laval in case that after his visit these withdrawals are decided upon.

Messrs. Farnier and Lacour-Gayet are said to be also charged with studying the general conditions of our market, to serve as a guide for the policy of the Bank of France in the future. A summary of the financial proposals of President Hoover might also be presented to them in order that they might be led to examine the extent of his suggestions and give their advice to Laval before the conversations.

The indications which I cable you have not an official character, but come from a competent source.

**ARRANGEMENTS PROPOSED BY FARNIER AND LACOUR-GAYET APPROVED IN PARIS—INTERVENTION OF THE BANK OF FRANCE IN THE ACCEPTANCE MARKET—GOLD WITHDRAWALS—OPTIMISTIC IMPRESSION OF FRENCH EXPERTS**

NEW YORK, October 18.—From a sure source I learn that the Bank of France has ratified the proposal formulated by Messrs. Farnier and Lacour-Gayet to preserve \$200,000,000 in gold on the New York market.

The Bank of France is said to have bought to-day \$20,000,000 worth of securities, at a time when it had abstained for a long time on the acceptance market. It is probable that it will settle this purchase by means of funds which it has on deposit here.

It appears from certain indications given in Wall Street that some large private Parisian banks do not yet seem completely reassured and will continue to withdraw gold. New and important shipments of metal are foreseen. To-day the shipments of gold have been very small, no large ship departing for France.

French experts are said to have sent very optimistic reports to France. They spent all last Monday afternoon at the Federal reserve bank; the conversations are supposed to have concerned especially the situation of the New York market, and the impression was said to have been good.

**THE BANK OF FRANCE AND THE AMERICAN MONEY MARKET—APROPOS OF THE PROGRAM OF THE HOOVER-LAVAL CONVERSATIONS, PUBLISHED IN PARIS**

NEW YORK, October 20.—The Bank of France is said to have purchased to-day on the market a new amount of about twenty millions in securities. It has made known to the great financial establishments its desire to see increased by one-half per cent the interest on the funds which it has on deposit in our market.

This request is keenly criticized and discussed by certain bankers who are not disposed to raise the interest rates beyond the level established last week, when the rates on foreign deposits were advanced in conformity with the discount rate of the Federal reserve bank. The request of the Bank of France is attributed to its desire to realize a moderate gain on its deposits after having paid the tax to which it is liable to the French Government.

Certain bankers are said to be inclined to state frankly that they prefer to give up foreign deposits rather than pay a higher interest; some express the opinion that it is not desirable to entice the Bank of France to leave on the New York market the \$200,000,000 in gold which have already been the subject of negotiations, and maintain that the situation of the market would be healthier without foreign money. The simple idea that our market has need of any foreign aid irritates certain feelings.

Nevertheless the point of view of the Federal reserve bank is absolutely different and aims to keep here as much gold as possible. The differences of opinion on this subject seem to need rapid solution before the arrival of Mr. Laval. That now constitutes the principal subject of conversation in Wall Street circles, where it is believed that it may lead to an entente on several vital questions; but all that is published on this subject is premature.

The general sentiment is that the program of the projected conversations, as published by the French papers, is, from certain sides, quite deceptive, from the fact that it does not show sufficient comprehension of the practical financial problems, the solution of which seems most urgent here.

**THE DIFFICULTIES OF THE LAVAL-HOOVER NEGOTIATIONS—THE ATTITUDE OF AMERICAN POLITICIANS—WASHINGTON LESS OPTIMISTIC THAN NEW YORK—THE GERMAN POINT OF VIEW—THE NEW MORATORIUM—CRITICISMS OF THE ACTION OF THE FEDERAL RESERVE—TOWARD A FRANCO-AMERICAN "ENTENTE CORDIALE" IN THE MONETARY AND BANKING DOMAIN—A COMMUNICATION OF M. LAVAL**

WASHINGTON, October 22.—From a preliminary examination of the situation it appears that the task before the two Presidents is difficult. Mr. Hoover has conferred with Senator BORAH and other statesmen. Nothing indicates a change in the well-known attitude of Congress toward the principal problems of security—war debts and armaments. It seems that Mr. Laval and Mr. Hoover will be obliged to maneuver, and it is not possible to say to what point they would be ready to go to avoid cessation of their conferences. If they were obliged to recognize that they were at an impasse, the consequences for Wall Street would be severe.

The optimism concerning the issue of the conversations is much less pronounced in Washington than in New York. Numerous Members of Congress are in the Capital or near by and are follow-

ing developments from day to day. In their opinion Hoover knows the opinion prevailing in the Congress. This opinion is suspicious and in general hostile toward the establishment of closer relations with Europe. The country is generally opposed to cancellation of the German reparations or interallied debts, fearing a proportional increase in taxes.

It is the general opinion that the maximum which would be permitted by public opinion would be the granting of a 3-year moratorium for debts and reparations.

Numerous German financiers and business men are now in the United States on business. They do not count on tangible results from the conference. They are more interested in the question of the postponement of banking acceptances, whose maturity was only extended until next February.

Statesmen have told me that several criticisms will be made in Congress on the subject of the policy of the Federal reserve system, especially in regard to the granting of credits to Germany and England last summer.

Among the numerous subjects which Laval and Hoover must discuss, two problems seem to have the greatest chance of a useful solution in the form of an "entente cordiale," the circulation of gold and questions of a monetary and banking nature.

(October 24, 1931)

NEGOTIATIONS ARE STATED PRECISELY—MR. LAVAL PROCEEDS TO THE "EXPLOITATION OF MINDS" AWAITING AN OFFICIAL STATEMENT ON THE GOLD STANDARD—THE POLITICAL DIFFICULTIES OF MR. HOOVER—TACTICAL ERROR OF MR. FARNIER AND MR. LACOUR-GAYET—INTERALLIED DEBTS AND THE GERMAN MORATORIUM; SOLUTION ENVISAGED—AN OUTBURST BY SENATOR BORAH—MR. LAVAL HOLDS TO HIS POSITIONS

WASHINGTON, October 23 (midnight).—The preliminary consultations create the general impression that Mr. Laval's visit will lead to an official statement on the gold policy, which would include assurance concerning the preservation of the gold standard as well as the defense of the monetary system based on this principle. I believe, although it is not yet certain nor can it be officially confirmed, that the communication on gold will be made before the end of the conference. It is not yet decided up to what point the promises made on this subject will be made public.

At the same time I learn from an authoritative source that the policy of the deposits of the Bank of France and of the gold held in the United States, decreed by Farnier and Lacour-Gayet, has been submitted to the French Government and accepted as satisfactory.

The opinion in diplomatic circles and others concerning the results of the conference beyond the monetary and banking questions, is still skeptical. Discussions can be of only a preliminary character; acts will follow.

A Republican leader who has carefully studied the situation from the point of view of his party, told me that it was, in his opinion, dangerous to give publicity to any political agreements made. Also, it is probable that the conclusions to which the conference leads will not be made public until the opening of the session of Congress. It appears more and more clearly that the circumstances do not lend themselves to radical measures. Political struggles are being prepared and the public is distrustful on the subject of all questions which are being debated.

Another person of great authority told me that the Government is much embarrassed by the attitude of a certain public which expects too much from the Laval-Hoover conversations. \* \* \* The Government hopes to arrive at a better reciprocal comprehension of the two countries in the domain of the principal economic, financial, and political problems, but can not foresee any definite agreement, even in principle, on questions such as disarmament and pacts. An agreement of principle might be concluded on reparations and interallied debts, but, as far as concerns the United States, it would have to be submitted to the approval of Congress.

The true work began to-day at 5 p. m. Only Messrs. Laval, Hoover, Stimson, Mills, and the interpreters, an American and a Frenchman, took part in the conversations.

Mr. Laval is faithful to his methods: he is the only source of communications. The French Premier examines in detail all the questions with the experts, then communicates the conclusions on the basis of the advice expressed by his qualified colleagues.

Up to now, before the conversations at the White House, Mr. Laval has proceeded only to a friendly exchange of views using the indications furnished by the experts. According to the expression of a high American personality, the interviews of the French Premier had for their object "the exploration of minds." It seems that he will continue to follow these same methods during his stay in the United States.

The conversations at dinner in the White House did not have an official character, but the visits made by Laval to the different personages of the financial and political world gave place to an exchange of views, and some impressions were collected. The general atmosphere at Washington is always the same. The sojourn of Mr. Laval at the White House will mark the culminating point of the discussions but it is possible that the real results will not be known for some days; certain details of the proposals will be formulated which will take some time to edit.

I understand that difficulties might arise from the fact that Messrs. Farnier and Lacour-Gayet may have committed the same tactical error as Mr. Montagu Norman did some years ago. The negotiations of the government of the Bank of England failed because in omitting to consult the Federal Reserve Board they

failed to recognize the rights of that supreme authority of the Federal reserve system. The directors of certain Federal reserve banks have been accustomed, in recent years, to have little regard for the board, and have pretended that they themselves represent the Federal reserve system in Europe, although they had no right to do so. Under these conditions, it may be that certain questions which appear solved by the visit of Mr. Laval will still remain open after his departure.

I learn from leaders in the Senate and House that strong political influences are at work to induce President Hoover to abandon the idea of asking Mr. Laval to promise a reduction of armaments in proportion or in exchange for a reduction of the war debts of the Allies. Mr. Hoover is also being urged to denounce any request or suggestion of the extension of the moratorium, and to propose a direct diminution of war debts, joined with a corresponding reduction in German reparations payments, even to complete cancellation, in the conviction that Congress would entirely indorse this proposal, a strong group of influential members being disposed to support this policy if it were adopted.

On the other hand, assurances have been given to Mr. Hoover that the business world would welcome such a proposal, seeing in it a real guaranty for relief and real improvement in the general situation.

If it had been possible to induce Mr. Laval to accept a heavy reduction of reparations on this basis, after investigation of Germany's present capacity to pay, he would then have proposed that the latter resume the payments thus determined, beginning next July. It is believed that this combination will be discussed at the conference to-day.

This afternoon Mr. BORAH expressed to the representatives of the American and European press his ideas on the security of France and the guaranties which might be given therefor. Mr. BORAH is a partisan of the cancellation of debts under proper conditions.

(October 27, 1931)

THE FRENCH DELEGATION SATISFIED—THE PRESERVATION OF THE YOUNG PLAN—SHORT-TERM DEBT OF GERMANY AND CONGRESS—WALL STREET AND THE DIFFICULTIES OF CONSTITUTION OF THE NATIONAL CREDIT CORPORATION—SHIPMENTS OF GOLD

Mr. Laval's conferees are more and more satisfied with the results of the conferences, especially with the clause relative to nonintervention in the reparations or moratorium outside the mechanism of the Young plan. American circles, while recognizing the victory from Laval's point of view, indicate that the solution interposed can not bind Congress, which has its own ideas on the whole problem of debts and reparations. A very clear movement is on foot to induce Congress to take a vote on this question, and it is certain that this political movement is going to be accentuated this winter.

What is especially criticized here in the Laval-Hoover agreement is that nothing is said on the subject of the important short-term German debt due next February. The foreign bankers and the Germans themselves would like to settle this affair, but can do nothing without colliding with the provisions concerning the policy of long-term debts. It is probable that this urgent problem will be the subject of discussions in Congress after it assembles, and that the promises given by Mr. Hoover and the agreements made will render the domestic political situation still more difficult.

The heaviness of the market is not directly connected with the Hoover-Laval agreement, but might be due rather to the news concerning the National Credit Corporation, the constitution of which is not progressing rapidly since banking difficulties in the country are increasing.

In Wall Street private and international bankers are satisfied with the results of the conference; the discount banks, on the other hand, fear that the recovery of short-term debts will be made more difficult.

(November 3, 1931)

GERMAN PROBLEM: PRIVATE AGREEMENTS—POLITICAL LEADERS AND FINANCIAL DIRECTORS DEMAND THAT WASHINGTON TAKE A POSITION TO HELP DEVELOP THE SLIGHT RECOVERY OF BUSINESS—NATIONAL CREDIT CORPORATION—HOARDING—RISE OF AGRICULTURAL PRODUCTS—WEAKNESS OF THE POUND—"STERLING BLOC" AGAINST THE GOLD STANDARD

NEW YORK, November 2.—Since the departure of Mr. Laval, the question of war debts does not cease to be on the order of the day in financial circles. The world of business is already disappointed by the absence of all exact information on the settlement of the German problem, especially short-term debts. Considering the importance of this problem, the opinion prevails that the negotiations must have reached a private and nonofficial agreement, destined to be developed later. Such are the opinions expressed by the directors of finance, well informed on the situation. They add that the conferences which will be held in Paris this week, under the direction of Laval, will inform the public on this subject.

Here are the three things more desired by most financiers: (1) Immediate settlement of the problem of German short-term debts, maturing next February, at the expiration of the "standstill" agreement; (2) indication of the policy to be followed after July; (3) indication on the policy toward the revision of the Young plan. A constant and intense pressure is exerted on the political leaders to obtain a statement on these three points, and one may

expect official communications on the attitude of the American Government on this subject at any moment, at least before Congress convenes.

Bankers are more or less resigned to consolidating a part of the German short-term obligations or graduating all the payments over some years. They are likewise disposed to accept some plan for the amendment of an important part of the war debts with corresponding annulment of reparations. I believe that certain bankers are actively occupied with financial projects in connection with the plan, which they will submit, with all the details, to President Hoover. It is the opinion in financial circles that a real revival of business, the settlement of international problems, and all the question of the recovery of credits granted abroad depends upon the official definition of the attitude of Washington toward the desiderata indicated above. As a movement for the restoration of business in the United States, pressure on the part of the financiers to induce the Government to take action is certainly going to be intensified.

It is not necessary to take seriously the statements of Mr. McFADDEN. He has long been at grips with the directors of finance and makes sensational statements without proving them. His partisans in Congress are very limited.

The last communication of President Hoover considers the diminution of banking failures, cessation of hoarding, of reduction of exportation of gold, and the rise in prime materials. As concerns banking failures, it seems that the runs on the banks for lack of confidence are no longer probable, but it would be premature to say that banking difficulties have entirely ceased. The National Credit Corporation is just organized, and its bureau in various places will be able to aid establishments more or less important, but many small banks will probably remain closed. The withdrawals of gold have only been partially checked, for those who hoard the metal throughout the world continue to drain gold from here, contrary to the wish of the banks of issue. There are not yet any clear indications that hoarding in the United States has ceased. The notes in circulation are diminishing, but that may be due to other causes. Finally, the rise in agricultural products was expected and has nothing to do with the general situation.

The weakness of the pound is attributed to rumors that the British Government has other monetary plans than the direct reestablishment of the gold standard. A cable from London reports the belief there that Great Britain will not return to the gold standard but will establish a régime of managed money, in agreement with all the countries which have abandoned the gold standard and which will form a "sterling bloc" to prevent the money of the countries faithful to the gold standard—especially the dollar and the franc—from being adopted as a base for world commerce. These rumors can not be controlled. The repayment by England of 40 per cent of Franco-American credits indicates also that London is little worried about the preservation of its gold reserve and corroborates the opinion that it does not intend an immediate return to the gold standard.

(New York, December 3)

THE RAILROAD CRISIS AND THE MARKET—AFTER THE WABASH FAILURE—THE QUESTION OF SALARIES—IMPOSITION OF OTHER MEANS OF TRANSPORTATION TO PROTECT THE RAILROADS—HASTY SALES OF INVESTMENT TRUSTS—THE GOVERNMENT EVENTUALLY OBLIGED TO ASSURE THE FUNCTIONING OF CERTAIN SYSTEMS—THE PROBLEM OF THE GERMAN SHORT-TERM DEBTS

NEW YORK, December 2.—At the middle of this week the market is in a more depressed state than at the end of the preceding week. The pessimism of numerous operators knows no limits. A useful discovery is made in these conditions. The weakness of railroad securities and the conditions of the railroads are the dominant preoccupations. The receipts of the railroads continue to diminish, and the market value of stocks and railroad bonds is dropping rapidly to new levels unknown for years.

The putting of the Wabash Railway under judicial administration is the first important event of this order since the failure some years ago of the Chicago, Milwaukee & St. Paul. At the same time the Chicago-Rock Island, after having passed its dividend on common stocks for some time, announced the passing of the dividend on the 7 per cent and 6 per cent preferred.

There is reason to believe that the railroad employees of the West, who met in Chicago last week, will examine more seriously the problem of the reduction of wages. The Wabash Railway, in the hands of a receiver, will certainly reduce them, and the unions of employees will have to decide whether it is right to put other railroads in a similar situation, since the receivers, in their capacity as judiciary administrators, will not hesitate to reduce the wages. Already the Chicago & North Western Railway has announced that it will ask a reduction of 15 per cent. The office of arbitration of the Canadian Government decided to-day to reduce the wages on the Canadian system 10 per cent.

The movements counterbalance up to a certain point the discouraging effect of the passing of dividends and the depression on the stock exchange. But factors of this sort hardly suffice to lighten the pessimistic expectations of a new reaction on the securities market. The investment trusts are especially disturbed and certain ones are completely abandoning the market. They are throwing obligations overboard in order to create available funds in the hope of being able to proceed finally to repurchase them at more advantageous prices.

Congress next week will take up plans for taxation of transportation by trucks, pipe lines, and other means of communication.

The taxes envisaged would be sufficiently heavy to permit the railroads to fight their fatal competition. If Congress refuses to vote the necessary laws, there will be nothing for certain railroads to do but fail, certain experts affirm. In fact, the Government must acquire certain systems in order to resume their operation on a healthy basis. Projects of this sort are gaining ground, although official circles do not generally admit that things are really so or that the immediate prospects have become so menacing. But even these circles are beginning to get worried. \* \* \*

After the rails, it is short-term credits granted to Germany which cause an atmosphere of disquietude among bankers and their clientele. In financial circles here the opinion prevails that the situation in Germany is worse than appears from information in the press. The continual lowering of all German securities reflects the apprehensions on the subject of the payment of the interest on these bonds. Wall Street insists to the authorities that they maintain absolutely the priority of German short-term debts to American bankers.

#### THE AMERICAN MARKETS BEFORE THE GERMAN PROBLEM—HELP FOR THE RAILROADS—BUDGETARY DEFICITS AND LOAN—A WEEK FULL OF DEVELOPMENTS

NEW YORK, December 6.—The pessimism which has prevailed in Wall Street concerning the menace of Germany's downfall or a coup d'état has been partly dissipated by the telephonic messages received from Berlin by the directors of New York finance. These messages say that no change in the situation of Germany is to be foreseen for the immediate future. The rumor has reached here that Germany would soon abandon the gold standard, but it is indicated from the same source that an event of that sort is excluded at least for the present.

The bankers, from the international point of view, are concerned only with short-term German debts. The fact that a change in the situation in Germany would be capable of creating serious obstacles to their recovery explains in part the great lowering of certain bank securities. There is reason to expect at the end of the year important amortizations representing losses sustained during the last 12 months. These losses, whatever their origin, discourage the clientele and intensify the feeling of uncertainty accentuated by the news abroad.

The continual lowering of securities of fixed yield causes grave worries to all financial institutions which hold important quantities of bonds, especially railroad bonds. The opinion is strengthening that it is the duty of Congress to occupy itself in the first place with the question of loans to railroads as well as the plan for taxing other means of transportation in order to lessen their competition.

The problem of Treasury loans is likewise becoming urgent. The budgetary deficit is increasing at a rate that indicates an excess of expenses for the fiscal year of about two billion. The Treasury always has recourse to the issuing of short-term bonds; and as the amount of debts due December 15 represents almost one billion, a new operation is announced. The bankers are certain the issues of December will greatly exceed one billion. Their situation permits them to finance these important operations less and less, and many among them insist that the Treasury procure funds directly from the public, offering these loans at increased rates of interest. Bankers also oppose these bonds serving as basis for the rediscount operations of Federal reserve banks. The present vogue of issuing Treasury bonds at a very low rate of interest constitutes an anomaly which can only be upheld by the tacit authorization to use the bonds to obtain credit from the reserve banks. In case the Treasury should be obliged to follow the recommendations of the bankers, the present market prices of Liberty bonds can not be maintained. So far they have resisted the depression and have remained almost intact.

This week will be very busy.

#### CONGRESS AND THE CRISIS

NEW YORK, December 8.—The message of the President was received with a certain deception. On foreign questions he avoids taking a position, limiting himself to proposing the ratification of the present moratorium; he announces that a special message on the entire foreign policy will follow. Business circles regret the absence of a definite program on this side. The same was said to me by one of the chief bankers of New York, who thinks that this will not facilitate the task of negotiators now in Europe.

More than ever Wall Street is disturbed and alarmed, fearing that, in spite of the latest news from Paris, the short-term obligations will finally have to be consolidated into long-term credits.

The opinion of Congress concerning the necessity of arriving at a settlement of the question of foreign debts, including interallied debts and reparations, is taking second place in the presence of the anxiety caused by the domestic situation of the country, which data from all parts indicate as progressively worse. The Members of Congress are very much impressed by the uniformly unfavorable tenor of information received from their constituents. The presidential plan, announced in the message, of creating the Reconstruction Finance Corporation, with a capital of \$500,000,000 and authorized to loan one billion five hundred million to reinforce feeble points, produces a good impression; but it is agreed that if it is not quickly realized and skillfully directed this enterprise will come too late. The situation of the railroads continues to inspire special apprehension.

#### CRITICISM OF THE POLICY OF PRESIDENT HOOVER—EUROPEAN PROBLEMS—WEAKNESS OF THE MARKET

1. The opposition of Congress to the proposals of President Hoover, tending to reestablish the debt commission and put on its feet the new credit corporation, disturbs Wall Street, which fears new difficulties because of the postponement of measures of aid.

2. It is true that public opinion as well as that of Congress judges unfavorably the President's plan to authorize the credit corporation to discount at the reserve banks on the same basis as the funds of the Government various classes of securities up to a sum of \$2,000,000,000. Some elements are opposed to any plan of this nature; one would prefer to see the credit corporation given less important resources, but coming from a loan issued to the public.

3. There is no doubt that the measures envisaged for the revision of foreign debts will be finally adopted; but the method proposed by the President which would place the entire question in the hands of a commission, apparently appointed by him, is not well received.

4. The step taken before the Senate committees by Mr. Mills, Under Secretary of the Treasury, to submit to the chief of the two parties a statement authorizing the foreign governments to postpone their payments due the 15th of this month, seems to indicate that events are going to be precipitated. It does not follow, however, that a decision is near, but rather than the struggle is going to begin. One is led to believe that it will be relatively long. If the ratification of the present moratorium is considered certain, one can not foresee what will follow, and the debates may last weeks. The inclination to give England more favorable treatment than France meets a certain opposition, but Mr. Hoover and Mr. Mellon have probably made promises on this matter.

In Wall Street the week has been bad; the bond market is equally heavy; the announcement Monday of the embargo on exports of gold from Japan affected the Japanese funds. Canadian currency and funds have suffered because of the critical position of Canada from the point of view of gold.

#### THE HOOVER PROJECTS

NEW YORK, December 15.—The presidential plan of reestablishing the debt commission is meeting serious obstacles, and it is predicted on various sides that it can not be adopted. The moratorium is also the subject of prolonged discussions in the committees and corridors, especially in the House, where the Democratic majority shows little sympathy for the wishes of the Executive. However, it is generally believed that the moratorium will be ratified.

Keen criticism is also directed against the Hoover plan for a new credit corporation. It is said the plan would tend toward inflation. Republican Senators are inclined to support it, but many believe that the power of rediscounting the bonds of the corporation at the reserve banks is a danger and refuse to approve it.

The fight is lively. It seems virtually impossible now that the plan can be adopted before the parliamentary recess beginning the 23d. In various parts of the country financial establishments are in an increasingly difficult situation and waiting to ask aid of the corporation.

The National Credit Corporation constituted some time ago by the bankers is almost inactive.

#### THE STOCK EXCHANGE CRISIS—IN CONGRESS

NEW YORK, December 17.—The new collapse on the part of Wall Street has increased uneasiness and provoked a renewal of demands for the closing of the exchange, which have been produced at each critical moment since the abandonment of the gold standard by Great Britain. The advocates of the maintenance operations reply that no good would come from its closing, particularly this month, which is that of the realization of securities in view of the payment of taxes and other operations at the end of the year. They emphasize, moreover, that the fall of the market price has probably already done all the damage possible.

The serious situation of various kinds of financial establishments, which have large portfolios of securities whose market price is constantly dropping without any really justified motive, comes in large part from the realizations effected by other bearers who procure funds for themselves in a period when the demands of the market are more unusual than they have ever been.

In Congress Mr. Davidson, of the house of Morgan, disclosed to the Committee on Ways and Means, which was discussing the moratorium, that foreign governments indebted to the United States had not deposited the funds to meet the payments of December 15, contrary to certain statements. The committee ended its debates and agreed that the question of the ratification of the moratorium be presented to-day. It is expected that the present moratorium will be ratified by the House before Saturday night. On the other hand, no progress seems to have been made concerning an extension of the moratorium or the reestablishment of the debt commission.

#### IN WALL STREET

The atmosphere was still improved Saturday. Profit taking after the active advance of the evening before caused a little irregularity, but on closing the rises amounted to more than the falls. Variations in either direction were of slight importance.

Bond market well sustained.

The weekly circular of the principal brokerage houses reflects the improvement in general sentiment.

#### THE SITUATION OF THE AMERICAN MARKETS

NEW YORK, December 20.—After the active advance of Friday, which was affirmed to-day, the pessimistic predictions and the somber analyses of recent times are no longer much heard. Passing of dividends continues. Financial establishments and to a lesser extent industrial establishments will be obliged at the end of the year to allot large sums for amortizations.

The market is carefully following the debates in Congress, thinking that a rapid vote on the measures envisaged would cause certain financial embarrassments to be avoided, which otherwise would be unavoidable.

There is no longer a question of the possibility of the closing of Wall Street. The president of the stock exchange will not even permit the question to be discussed. The latter is a firm defender of a free and open market under all circumstances, and has not ceased to state this point of view on all occasions, exactly like the syndic of the Paris Bourse, who expressed this opinion to us when I was last in Paris.

#### THE MOST CRITICAL PERIOD FOR ALL AMERICAN BUSINESS

NEW YORK, December 27.—Financial circles have made use of these three days' vacation to try to appreciate the elements of the situation at their true value. These various aspects form the subject of discussions in New York and Washington, and consequently there is expected a vigorous action in favor of measures of aid when Congress reconvenes. Numerous industrial and financial enterprises who have doubts about the future are postponing important decisions concerning their program of activity until it is certain what the Government can do to help enterprises which are threatened with difficulties. The beginning of the year is going to be the most critical period for all American business.

The discussions by Congress may delay the realization of projects envisaged, and in that case the enterprises which find no more help on the money market and count absolutely upon the immediate aid of the Government will be reduced to the deposit of their balance.

The short-term commitments which mature early in 1932 are very heavy and a number of them can not be honored with State aid.

Wall Street is very disappointed at the vote of Congress on the moratorium and the various reservations introduced in the terms of the final resolution of approval. It is thought the position adopted is apparently a recall from that of last summer.

As concerns the railroads, better conditions for long-term bonds will be made possible by the present projects for raising the rates which are on the point of becoming effective and by the concessions on the part of the personnel on the question of salaries. Nevertheless, some extremists continue to state that the Government may be obliged to retake the systems and assume their financial responsibilities, even if it does not exploit them itself.

The increase in activity in the iron and steel industry and in the automobile industry appears to be continuing, and orders are somewhat better for the beginning of the new year.

The manufacturing activity and the sales of the products are quite satisfactory in certain branches, but, on the whole, uncertainty persists.

The fundamental problem is to end banking failures. The new "corporation" which the Government is going to create will try to improve the lot of small establishments.

In Wall Street the renewal of transactions Monday will probably show the natural indecision after three days of closing, accentuated by the lack of initiative and the absence of any program by business men and financiers. Sales at a loss in view of the establishment of the taxes will continue.

#### THE RÔLE OF THE RECONSTRUCTION FINANCE CORPORATION—IMPROVEMENT IN THE GENERAL SITUATION—APPREHENSIONS ON THE SUBJECT OF COUNTRY BANKS—THE VARIOUS INFLATION TENDENCIES

NEW YORK, January 6.—1. The report of the Senate Committee on Banking and Currency, charged to examine the project of creating the Reconstruction Finance Corporation, has just been published. It indicates that all the witnesses heard by the committee and all persons, political and otherwise, which it questioned were unanimous in demanding a vote on the bill deposited by the Government. The amendments adopted by the committee tend to modify the provisions relative to the issuing of the bonds for the purpose of rendering them unacceptable for discount by the Federal reserve banks. The Government will try in the course of the debate in the Senate to make its point of view prevail, but there are more chances now that the amendment will stand so that the bonds of the Finance Corporation will depend on their own virtue to find takers. The Treasury will have the right to buy and sell them to preserve their market value, which, in the opinion of the directors of finance, should facilitate their placement. There is the explanation for the rise in railroad securities Wednesday. The market thinks that the new corporation will certainly furnish all the funds necessary to redeem the railroad bonds maturing in the winter or spring; the railroads will thus have time to right themselves.

2. The general situation is improving.

3. On the contrary, the discouraging factor resides in the precarious position of the country banks. It will fall upon the new

corporation to facilitate the reopening of banks which have closed their doors. The problem of righting the banking situation in the United States remains most difficult. It is possible that the Government may be obliged to ask Congress for several hundreds of millions to aid the depositors of the banks that have failed. Otherwise the distress will continue for a long time and become worse, because many people are entirely without resources.

4. Inflationist ideas are coming to light to such an extent that a number of absurd projects for the issuing of new notes as legal tender are being proposed. The Government operations themselves bear the danger of inflation. This danger can only be removed if the new corporation succeeds in placing its bonds among the public without recourse to the resources of the banks.

#### THE NEW ANTIDEFLATION POLICY OF THE FEDERAL RESERVE BANKS

1. According to the official report, Governor Harrison of the Federal Reserve Bank of New York made the following statement on January 8 to the conference of the New York Bankers Association:

2. We have at our disposal the mechanism for stopping deflation and to gradually erect a structure of healthy values and solid business. What we need is to slaken the reins, to drive away the fear which is paralyzing the world. We must establish confidence in ourselves and the courage to go forward.

3. The reserve banks are in a position to increase by \$3,500,000,000 their credit to members of the system, which would mathematically form the basis of an increase of \$35,000,000,000 of banking credit.

4. There are more than \$8,000,000,000 of "eligible" assets in the banks affiliated with the system. In banks which do not have "eligible" paper, or for banks not affiliated with the system, it will be the Reconstruction Finance Corporation which must constitute a particularly powerful support. With the supplementary help of the National Credit Corporation, it seems reasonable to predict that every healthy bank will be able to procure resources which are necessary as soon as the demand for an increase in credit is manifest.

5. The total volume of banking credits has diminished in two years by more than \$6,500,000,000. That is perhaps the chief reason for the rapid reduction in bank deposits. One thing is certain; the deflation of credit must end if we hope to help in a speedy revival. The Federal reserve banks can not stop it by themselves alone, nor can the public. But the efforts of all combined can do it and must. It is a question of confidence in ourselves and of reciprocal confidence.

6. In reply to a cable, we received the following from New York:

7. The general policy of ease and expansion of credit, decided upon by the Federal reserve system a week ago, has been the subject of commentaries in the American press for several days.

8. The Journal of Commerce of New York in an article published January 13, said: "The Federal Reserve Bank of New York has inaugurated a new effort to stimulate expansion of credit," etc.

9. The New York Times published an article under the title, "The Reserve Bank Acts to Arrest Deflation."

10. It is understood that these articles were inspired and, after their publication, approved by the directors of the reserve system. Other articles along the same line appeared in numerous papers.

11. In previous cables I have limited myself to calling attention to the request of the President in his various statements, including messages to Congress, for easing the restrictions governing the régime of advances made by the reserve banks so as to enlarge the bases of credit. That means the adoption of projects destined to facilitate discount and permitting the admission to the reserve banks of paper unacceptable up to the present. One of these projects, originally supported by Senator VANDENBERG and apparently approved in high places, would permit the admission of promissory notes of banks affiliated to the system, guaranteed collaterally by industrial and railroad bonds.

12. These inflationist ideas continue to be the object of discussions and have many advocates.

13. I have never mentioned any provision which would tend to inflate the public debt; nevertheless, the intention exists, as the authorities admit, of proceeding to important operations of issue to meet obligations due next June, so much the more since the new taxes can not be created and collected in time. Loans on a vast scale are also inevitable, the budgetary deficit being more than two billion. All the new obligations, according to the present régime, are "eligible" as collateral guarantee for discount by the reserve banks. If the authorities of the reserve bank commence the campaign for easy money, as has been announced, it is inevitable that the issue of new obligations will tend strongly to increase the volume of credits of the reserve banks pledged on these securities.

NEW YORK, January 10.—Great purchases of German bonds were carried out in the last stock exchanges, and especially Friday, on the announcement, professing to be from a source of the first order, of a definitive Franco-German agreement on the subject of the prorogation of the reparations moratorium for three years. According to these rumors, put in circulation in a private way, the Lausanne conference would give no definitive result, but afterwards, when the political situation in France became clearer, a statement would be made in the sense indicated above. It is evident that this point of view may be modified because of the position taken Saturday by Mr. Brüning, considered here a rude

maneuver, right in the German manner, to facilitate further bargaining.

The step taken by the mayor of New York, through the Senators of New York State, showed the grave situation in which various municipalities find themselves from the point of view of the financing of their immediate needs. In his memorandum the mayor demands an enlargement of the statutes of the Reconstruction Finance Corporation in order that cities may contract loans from the Federal Government. The fact that Chicago, Philadelphia, and several other cities have suspended payments on a number of municipal obligations, the market price of which has been considerably lowered, gives an idea of the extent of the depression and its consequences for the finances of the towns and States.

New acceptances by the railroad workers of a reduction of 10 per cent in salary indicate that the conference of the general directors of the systems and the representatives of the workers, which will take place next Thursday, will result in an agreement on the basis of the proposals of the railroads.

The industrial companies are beginning to publish the results of 1931. According to the preliminary figures just announced, the profits of General Electric would not exceed \$1.35 per share (against \$1.90 for 1930). The company would be obliged to appropriate large sums for the amortization of losses on participation in foreign enterprises. These amortizations will appear in the balance at the end of the year. Various companies, and especially the banks, are in the same situation. Rumor says—and it comes from a very good source—that the New York banks would soon agree to a general reduction of dividends.

A better atmosphere prevails in certain branches of industry and commerce, but disquiet on the subject of the weak financial condition of enterprises and the desire to be reassured on this point by the definitive constitution of the Reconstruction Finance Corporation tend to counteract the effect of the improvement in general perspectives.

As concerns the siderurgical industry the announcement of the diminution of about 200,000 tons of orders on the books of United States Steel for December has had a discouraging effect on those who expected a more favorable evolution in the production of steel, the activity of the factories having been recently increased.

The investigation of foreign issues is being continued, but the financial world is interested in it less and less. The investigation is now considered an element of propaganda against foreign countries in general, carried out for political ends, and it would not have occurred if any practical effects had been expected.

#### THE INFLATIONIST POLICY

NEW YORK, January 13.—1. Inflation is the order of the day. The Federal reserve banks as well as the legislative assemblies seem to wish to enter upon this path. The lowering of the discount rate will probably be decided upon at the next meeting of the council of the reserve bank of New York. The reduction in rate of purchase of acceptances on the free market, which took place Tuesday, is a preparatory measure to which the reserve bank always has recourse in this case. The financial world considers it an index of a change in the monetary policy and expects large purchases of Government funds, acceptances, and perhaps other securities for the purpose of increasing the available funds of the market and definitely easing the general situation. The efforts to create easy money are accompanied by proposals tending to enlarge the basis of credit at the Federal reserve banks. President Hoover made them in his message of January 4, and since then has asked Congress for various measures in this sense.

2. All attempts to restrain inflation and prevent expansion of credit, which would have as basis long-term engagements, will meet general opposition. The inflationist ideas are solidly in possession of a number of minds in financial circles and their care is rather to succeed in putting these ideas into practice, at least in part, rather than to limit their development. Wall Street is generally favorable to the proposed legislative measures and greets inflation as assuring a rise in values.

3. Some financiers are frightened by the apparent inauguration of a new era of squandering and presage possibilities of dangerous consequences. They do not believe that the good effects from an era of expansion of credit can be expected to last long and think that good results should be obtained rather by the systematic application of other remedies, concerning especially foreign commerce, Government finances, and taxes. The greatest danger resides in the risks to which the Federal reserve banks are exposed in regard to the various plans for the extension of their operations of discount and loans. The reserve banks themselves some time ago pronounced themselves against any modification of the régime of discount and against any enlargements of the bases of credit which they are now authorized to grant. They have the appearance now of having changed their opinion. Some insist even on the necessity of easing the regulations now in effect.

4. Certain observers note that the departure of gold, stopped some time ago, may recommence.

#### THE NEW INFLATION POLICY

NEW YORK, January 17.—1. The situation of the market as a whole is improving, in spite of fluctuations and recolls. Qualified observers incline more and more to believe that the liquidations are almost ended, and that henceforth every effective revival in commerce and industry will bring about an advance of securities. Conservative circles are, however, convinced that in-

flation alone will not suffice to attain this end, but a vigorous impulse has been given in this direction, especially considering the presidential campaign. The keen desire of the politicians is evidently to create a semblance of return to prosperity before the formal designation of candidates, which will occur in the middle of the year.

2. The fact that the Federal reserve system is participating in a program of inflation is considered by certain authorities as a violation of the entente which was made public at the time of the visit of Laval and even before. This new policy is likewise contrary to the teachings of experience. Some still hope that the projects for inflation will be retained but the great desire of Government authorities to create a market favorable to the issuing of bonds is opposed to the maintenance of a deflation policy. Present needs for very great issues of bonds require the return of easy money. The Secretary of the Treasury this week informed the Committee on Ways and Means that a great deficit must be expected in June, amounting to about two thousand one hundred and fifty million, which must be covered for the most part by issues of bonds. Opposition to increased taxes is evident on all sides. Such measures are necessary but will not produce results for some time.

3. The rumor current here that the Bank of France is recalling its credits from abroad is received without surprise. The opinion was recently expressed in banking circles that nothing should be done to encourage the maintenance here of deposits of foreign gold nor to attract new ones and that the condition of the country would be more solid without them.

4. The adoption by the House of the plan for the Reconstruction Finance Corporation presages a near agreement between the two assemblies on the final form of the bill, but there are several points still to be discussed.

5. In spite of all that one says of inflation, the table of effective deposits in the 44 principal banks, having each at least \$100,000,000 in deposits, shows for last year a total diminution of two billion six hundred million, which brought them to fourteen billion two hundred and eighty-five million. Nevertheless, this number is much higher than that of 1926.

6. Conversions which marked Wall Street on Saturday are apparently mere takings of profit.

7. It seems that speculation properly so-called has not yet decided to interfere in the upward movement. The new rise in price should therefore be the result of real purchases, including those made by European capitalists. These latter seem to have been very active lately, believing that the situation of the United States is more favorable.

#### CONCERNING INFLATION OF CREDIT—THE HESITATION OF THE FEDERAL RESERVE SYSTEM

NEW YORK, January 18.—1. The information concerning the new policy of the Federal reserve system and the plans for pushing the program of inflation on a vast scale is widely spread throughout the country and the serious press generally sanctions it.

2. However, the repercussion of these projects on the French and English markets, as well as on numerous large capitalists in the United States itself, has provoked hesitation. According to information obtained to-day the directors of the Federal reserve system are inclined at present to take into account, in the orientation of their policy, the effect it will produce on European markets.

In any case there can be no doubt of the nature of the plan originally established.

#### THE ANTIDEFLATIONIST MEASURES AND THEIR CONSEQUENCES

NEW YORK, January 20.—1. The problem of inflation continues to be keenly debated in financial and political circles. The number of bankers who take a strong position against inflation is steadily increasing. There is manifest a pressure on the Federal reserve system to abandon the policy, widely announced last week, tending to resort again to the application of lowered monetary rates and important purchases on the open market. Conservative opinion remains opposed to it.

2. The financial world is in general well satisfied with the nomination of General Dawes as head of the Reconstruction Finance Corporation. It is believed that he has financial experience, and his previous career as a banker will induce him to put his influence on the side of prudence, which advises not to enter except circumspectly in the way of expansion of credit. The nomination of the other administrators is awaited with impatience. Unless there is among them a number of opponents of inflation sufficient to overcome the inflationist interests the danger might be grave.

3. The opinion is gaining ground that if one wishes to obtain real results the available funds which the new loans are destined to bring to the Government must be obtained as soon as possible by a direct appeal to the public, who at present are hoarding cash to a large extent or are keeping their funds inactive in banks.

4. It is now generally forecast that the Bank of France will recall from here its earmarked gold and will likewise retire a part of its credits in dollars. This conforms to what I have already cabled you; the fact is known and published by various papers, even by certain ones which were previously inclined to deny it. Qualified representatives of the financial world continue to consider the repatriation of gold as the best policy. In their opinion, the influence of the European markets, which have shown uneasiness on the subject of the projects of expression of credit,

has been beneficial. I believe that the Farnier-Lacour-Gayet-Federal reserve agreement was concluded for three months. If this limit is correct, it must expire soon, but the problems which confront the banking authorities are the same as last autumn. Also, a vigorous opposition against the expansion of credit exercises at this time an exceptional influence on American opinion.

5. The representatives of the two legislative assemblies came to an agreement this evening on the definitive text of the bill relative to the Reconstruction Finance Corporation. The bonds of the corporation may not be discounted or sold by the reserve banks, but the Treasury is authorized to issue bonds to support the bonds of the corporation on the market, and these Treasury bonds are eligible for purchase as well as discount.

6. The cables received up to to-day from European sources indicating that the Lausanne conference will probably only assemble experts to arrange the postponement of the question of the moratorium are in accord with American predictions.

#### UNCERTAINTY AT WASHINGTON AND IN WALL STREET

NEW YORK, January 24.—All business is now in suspense awaiting events and especially the result of the negotiations in Chicago between the representatives of the railroad employees and those of the railroad companies. The market fears that this result will not be satisfactory, even if the directors of the systems are successful on certain points. The sole entirely satisfactory result would be the acceptance in block of the proposals of the companies.

The definitive adoption of the Reconstruction Finance Corporation is received with less enthusiasm than was predicted; apparently the market wishes to know first how the enterprise will be organized. Everything depends on the directors. It is admitted in Washington that the principal authority will probably be in the hands of General Dawes, but it will be limited by the general directives established by the council of administration. The market is impatient to have some indications of the financial policy of the council.

The movement of exportation of gold continues and it seems that it must last for some time. All the information which I have received concerning this question is confirmed by facts. The Bank of France is gradually recalling its credits, taking them in a way to disturb our markets as little as possible. The attempts to make it be believed that the shipments of gold represent only the withdrawal of earmarked gold has not had any results, the daily figures of shipments of gold greatly exceeding the diminution of earmarked gold.

The repercussions of European opinion on the policy of the inflation of credit are gaining in strength and if they develop may determine the modifications in the banking measures which otherwise would have been applied. My warning cables may have helped to warn European bankers in time. The Wall Street circles and qualified bankers are now inclined to consider the entire question with more care than before.

It is probable that the market is going to remain in expectation, awaiting the definitive turn taken by the question of inflation and by those of the banking policy and the railroad régime. Wall Street seems to be at the point where its capacity for resistance may be again put to the test.

#### WHY WALL STREET REMAINS DEPRESSED, FEBRUARY 7

1. Wall Street ended the week on a heavy note, without trace of improvement. Optimistic data are rare, and the bears spread the impression that the near turn of events will be unfavorable to the market. Business men are disappointed, although the organization for help, which was the object of general hope at the beginning of the winter, was put on its feet under the conditions provided. The news that certain large railroads have asked help from the Reconstruction Finance Corporation was a disagreeable surprise, for it was thought that enterprises of wide expansion would refrain and leave the funds at the disposal of weaker companies.

2. The opinion is growing that a radical change of orientation of the policy of the United States, especially as concerns the commercial relations with foreign countries and foreign loans, is indispensable in order to prepare a real return to prosperity. The public is beginning to wish to see clearly into these problems and to know the exact attitude of the parties on these questions in view of the coming electoral campaign.

The appeal of President Hoover against hoarding is criticized by his political opponents, who think that the true way to end hoarding is to restore confidence, adopting healthy methods and economic principles.

The possibility of differences with Japan is received calmly and without particular uneasiness, but a large part of the press expresses its discontent with the way our policy has been conducted in the Far East up to the present. The market continues to attach very little importance to the Sino-Japanese conflict.

The attention of Wall Street is concentrated entirely on the development of difficulties in business; it is the prospects of essential industries which weigh on the exchange, so much the more since it is still impossible to figure exactly in what measure these new organizations of financial aid will bring relief, and especially as concerns the situation of the banks. The new diminution of advances to brokers shows that the public is not interested in the market. The sales of securities on behalf of banks are less pressing.

#### THE NEW BANKING AND MONETARY POLICY

NEW YORK, February 14.—The great animation which characterized the market Saturday and the strong advances in certain securities reflect the approval by Wall Street of the policy of extension of credit. The attention of financial circles is for the moment concentrated principally on the two clauses of the new bill; the one which admits the State funds as cover for the Federal reserve notes, at the pleasure of the reserve banks, in view of the liberation of gold; the other which authorizes these latter to discount the drafts of affiliated banks pledged on all sorts of guaranties which may be thought acceptable, without any account being taken of the restrictions up to now imposed by the Federal reserve act.

The opinion on the financial market is divided. The speculative interests, in general, approve the project, as it was conceived with a view to inflation. Certain brokers express themselves the same in their circulars to the clientele. Other houses are much disturbed, and express the fear in their weekly letters that the new measures will not increase the demands for gold within the United States as well as for accounts abroad.

The press is no longer in agreement. Certain papers speak against the new plan, which they consider too hazardous; others say that it will check the depression and encourage the liberation of credits. Finally, those who believe that when the banks of issue proceed to an extension of credit, there can be expected a rise in prime materials, count upon this latter result.

Up to now there are no serious indications which permit a pronouncement in either sense. Conservative opinion thinks that the reserve banks and the Government are called upon to play the decisive rôle in the question; it is therefore only an affair of administration and direction.

The problem remains this: Is the new policy of expansion healthy? Washington and Wall Street are especially interested in the attitude of Europe toward this new situation and the interpretations of the new law beyond the Atlantic.

The conditions of industry and commerce are not improved. Banks tend to limit or refuse credit to numerous borrowers, being anxious to maintain the liquidity of their resources.

#### Gold exports from the United States by days, December 1, 1931, to April 23, 1932

[In thousands of dollars. Blank dates omitted]

	Total	France	Belgium	Netherlands	Switzerland	All other
<b>1931</b>						
Dec. 3	198					198
Dec. 4	860	250		610		
Dec. 5	664	550		100	14	
Dec. 11	2,451	2,016	150	235	50	
Dec. 12	1,062		57	850	105	50
Dec. 14	8					8
Dec. 15	536	690		150	96	
Dec. 16	420	350			70	
Dec. 17	3,084			2,984	100	
Dec. 18	700			695		5
<b>1931</b>						
Dec. 21	140			140		
Dec. 22	350	300				50
Dec. 23	3,034	1,890	200	460	484	
Dec. 24	3,641	550	2,791	300		
Dec. 26	1,130			1,130		
Dec. 28	8,397	7,947		435	15	
Dec. 30	2,449	454		1,995		
Dec. 31	3,108		2,543	495	70	
<b>1932</b>						
Jan. 4	80	80				
Jan. 5	2,200	2,050			150	
Jan. 6	65		15			50
Jan. 8	4,197	4,000		100		97
Jan. 9	137			137		
Jan. 12	100	100				
Jan. 13	360	200			160	
Jan. 15	16,678	12,299	4,091	210	108	
Jan. 19	168				168	
Jan. 20	19,392	12,000	4,142			3,250
Jan. 22	21,004	20,474			530	
Jan. 23	650			650		
Jan. 25	20				20	
Jan. 27	12,405	12,005				400
Jan. 29	20,370	20,370	4,165	4,765	80	
Jan. 30	350			350		
Feb. 2	4,209		4,209			
Feb. 3	13,050	12,650		300	100	
Feb. 5	1,901	1,701		200		
Feb. 6	15,329	13,024		2,300		5
Feb. 10	16,023	15,851	2	50	20	100
Feb. 11	17,416	12,000	5,396			20
Feb. 13	2,690			2,690		
Feb. 16	38,245	38,045				200
Feb. 17	4,416	100	4,135	50	130	
Feb. 19	7,428	4,711		50		2,667
Feb. 20	2,282			2,282		
Feb. 24	200					200
Feb. 25	32				32	
Feb. 26	4,158		4,003	50		15
Feb. 27	657			600		57
Mar. 1	16,096	12,505	3,591			
Mar. 3	23					23
Mar. 4	12,801	12,801				

Gold exports from the United States by days, December 1, 1931, to April 23, 1932—Continued

	Total	France	Belgium	Netherlands	Switzerland	All other
1932						
Mar. 7	2,750		2,750		6	
Mar. 15	12,511	12,511				
Apr. 8	10,417	10,402				15
Apr. 9	502	502				
Apr. 11	10				10	
Apr. 12	8,430	7,796		634		
Apr. 13	495			495		
Apr. 14	50	50				
Apr. 15	1,796	998		599		200
Apr. 16	1,505	1,004		501		
Apr. 18	1,200			1,200		
Apr. 19	4,627	3,725		502		400
Apr. 20	24					24
Apr. 21	2,411			2,411		
Apr. 22	14,364		619	13,545		200

#### RELIEF OF AGRICULTURE

Mr. HOWELL. Mr. President, I do not propose to detain the Senate long, but I do want to call attention to a report sent out by the Associated Press respecting a hearing which is in progress at Chicago. I quote:

TELLS DROUGHT EFFECT IN RAIL-RATE ATTACK—GOVERNOR RELATES CONDITIONS IN NORTH DAKOTA AT CHICAGO HEARING

CHICAGO, ILL., May 2.—The first evidence of agriculture's plight was presented the Interstate Commerce Commission to-day by Gov. George Shafer, of North Dakota. This opened the grain growers' attack on the rate increases asked by the western railroads.

Declaring he was not seeking special privilege for agriculture as against the carriers, Governor Shafer said he was advocating the growers' cause in the rate hearing "in the interests of economic justice."

Conditions in the northwestern counties of North Dakota, the governor said, have reached the proportions of disaster. Some 9,000 families, or 45,000 men, women, and children, in the 15 counties of this area, have lived on relief during the winter.

#### CITES DROUGHT PRODUCTION

Governor Shafer outlined the wheat production of his State: In 1928, 155,000,000 bushels; 99,000,000 bushels in 1929; 108,000,000 bushels in 1930; and 32,000,000 in 1931—this last the worst drought year in North Dakota's history. Too, weather conditions in 1929 and 1930 were unfavorable for an average good yield.

Benjamin Larkin, president of the North Dakota Board of Railway Commissioners, said this testimony was designed to show that bad crops were responsible for the grain-revenue declines of carriers; that what was needed was a good crop and not increased revenue.

"Why should the growers," Larkin asked, "be penalized by higher rates on something over which they had no control?"

#### RAIL LAWYER PROTESTS

Examiner Arthur Mackley asked Governor Shafer if he believed that inasmuch as the carriers have lost traffic to competition in other commodities, the rates should be hiked on what traffic the carriers still had, such as grain and grain products.

A. B. Enoch, chairman of the carriers' legal counsel, who previously had said the railroads would enter no objection to Governor Shafer's presentation of evidence on the growers' economic distress, jumped up in protest of this question. He contended that inasmuch as the governor said he was not qualified to discuss rates, this question was improper.

The examiner withdrew the question.

Mr. President, notwithstanding the deplorable situation of agriculture, and despite the fact that last month both wheat and corn were less than one-half the price of these cereals, as an average during the month of April, from 1909 to 1914, the railroads are contending for an increase, compared with the rates of that period, up to 44 per cent per bushel in the case of wheat and 46 per cent per bushel in the case of corn, from such a point in the wheat-and-corn region of the Middle West as Grand Island, Nebr., situated near the center of the State.

I call attention to the following table:

Freight rates on wheat and corn from Grand Island, Nebr., to Chicago, from 1914 to February 20, 1932, as reported by Interstate Commerce Commission

Year	Wheat		Rate index numbers	Corn		Rate index numbers
	100 pounds	Bushel		100 pounds	Bushel	
Jan. 1, 1914	25.6	15.4	100	22.9	13.74	100
June 25, 1918	31.5	18.9	123	31.5	18.9	137
Feb. 24, 1920	31.5	18.9	123	31.5	18.9	137
Apr. 16, 1920	35.5	21.3	138	31.5	18.9	137

Freight rates on wheat and corn from Grand Island, Nebr., to Chicago, from 1914 to February 20, 1932, as reported by Interstate Commerce Commission—Continued

Year	Wheat		Rate index numbers	Corn		Rate index numbers
	100 pounds	Bushel		100 pounds	Bushel	
May 23, 1920	31.5	18.9	123	31.5	18.9	137
Aug. 25, 1920	42.5	25.5	166	42.5	25.5	185
Nov. 22, 1920	43.0	25.8	168	43.0	25.8	187
Jan. 2, 1922	37.5	22.5	146	34.0	20.4	148
June 1, 1922	37.0	22.2	144	33.5	20.1	146
Aug. 1, 1931	28.0	16.8	109.3	28.0	16.8	122
Feb. 20, 1932	37.0	22.2	144	33.5	20.1	146
Proposed 10 per cent increase on wheat	40.7	24.4	158.4			
Proposed 20 per cent increase on corn				40.2	24.12	175.2

What does this all mean? It means that in the pre-war period referred to it was necessary for a farmer in that section of Nebraska to pay the railroads 15.4 cents to get a bushel of wheat to the Chicago market. His net return for that bushel of wheat was about 90 cents.

How much wheat was it necessary for the farmer to ship to Chicago last month to net 90 cents? Not 1 bushel, but 2 bushels. Therefore, to net the farmer last month in Grand Island 90 cents from the sale of wheat it was necessary for him to pay the railroads not 15.4 cents but 44.4 cents.

In the case of corn, during April of the pre-war period the farmer received, as an average, 49 cents as a net return from shipping a bushel of corn to the Chicago market. For the transportation service on this corn the farmer was compelled to pay at that time 13¾ cents per bushel. But last month, that the farmer might net 49 cents from the sale of corn in Chicago, it was necessary for him to pay the railroads not 13¾ cents but 40.2 cents.

Notwithstanding these facts, Mr. President, the railroads are contending for an increase of 10 per cent in the present freight rate in the case of wheat and 20 per cent in the case of corn.

Why is this? It is because the strong arm of the Government is extended to protect the railroads, though they are monopolies. The rates are fixed; they are fixed by decree of Congress. But what about agriculture? Congress has failed to do anything to give a corresponding protection to agriculture; and what is the consequence? To net the farmer 90 cents, shipping wheat from Grand Island to the Chicago market, whereas he paid the railroad 15.4 cents in the period 1909-1914, he must now supply twice the wheat and pay the railroads nearly three times 15.4 cents to net 90 cents. Yet we in Congress have no time for the farmer. This is the fourth bank bill that has been considered at this session of Congress. The moratorium was nothing but a bankers' bill. Then we had the Reconstruction Finance Corporation bill; then the Glass-Steagall bill; and now we have the pending Glass bill under consideration.

Mr. President, it is time we took occasion to think about the farmer and the debtor, not the creditor wholly. There are two classes in this country, generally speaking, creditors and debtors. We have been thinking altogether too much about the creditor. What we ought to do is to give some time and attention to the debtor.

Mr. President, are we to do anything for agriculture? Are we to continue through the remaining portion of the session—and only 30 days are left—without acting for agriculture? There is not a bill pending on the calendar of the House for a constructive measure on behalf of agriculture. There is not a bill pending on the calendar of the Senate of a constructive nature for agriculture.

Mr. SHEPPARD. Mr. President, until the purchasing power of the farmer is restored, can we hope for permanent prosperity?

Mr. HOWELL. Mr. President, the farmers and the other ruralists of this country constitute 44 per cent of our population. The economic fortunes of the ruralists other than the farmer follow that of the farmer's. The farmer's buying power has been decreased one-half, and that means that 44 per cent of our population have but one-half of the pur-

chasing power they formerly had, and until we restore that purchasing power we will not recover from this depression. The whole country is vitally interested. That ought to have been apparent to Congress years ago.

Mr. SHEPPARD. Mr. President, was it not pointed out a number of times by the friends of agriculture, and by the supporters of bills to aid agriculture, that if the purchasing power of the farmer should be permitted to continue in its decline the collapse which we have witnessed was inevitable?

Mr. HOWELL. Congress has had ample warning of what might occur, but we have been thinking about commerce and the mechanical industries rather than about the agricultural industry. I want to emphasize again, we have been giving most of our thought to the creditor and little to the debtor, and the debtor in this country is obligated to-day, taking into account public and private debts, to the extent of \$203,000,000,000. With the purchasing power of the debtor where it is to-day, \$203,000,000,000 is not the real measure of our indebtedness. It is vastly more.

Mr. President, I urge again that we do something for the farmer before we adjourn. If we do not, what are we going to say to the farmer when we return home?

Mr. COPELAND. Mr. President, will the Senator yield to me?

Mr. HOWELL. I yield.

Mr. COPELAND. I notice the Senator has had a very distinguished convert to his views. I observe that Mr. Owen D. Young yesterday came out for the equalization fee.

Mr. HOWELL. I am not at all surprised that a man who is so familiar with business and with economics as is Mr. Owen D. Young should finally conclude that the equalization-fee plan, which was twice passed by Congress, has in it such merit as to justify the enactment of such a measure for the rescue of agriculture. This we must do before we leave Washington in June.

Mr. COPELAND. Mr. President, if two Presidents of the United States had taken the same view of the economic soundness of the equalization fee, we might have had that law in operation, and this calamity would have been averted. I was delighted to see Mr. Young take that view, because, as the Senator knows, I personally have always supported the equalization fee, and have believed it was economically sound, and was the only way, in my vision, which made possible revival of agricultural prosperity. I sincerely hope the Senator will succeed in getting a favorable recommendation upon his bill, in order that the spirit of the Senate may be tested, to see whether or not there is here a genuine interest on behalf of the farmer.

Mr. HOWELL. Mr. President, it is a fact that I have introduced a bill, which I think would at least prove a consolation prize to the farmer. Yet I have an open mind. What I want to see done is something of a constructive character, and I am not insisting upon my plan. I do not merely want to see something done of such character, but I also want something done that will aid industry generally. Therefore upon several occasions I have raised my voice in behalf of the Goldsborough bill, a measure which has the approval of the leading economists of this country. I have not been pleading merely for agriculture alone but for the Nation at large. All must rise from this depression together.

EASEMENT FOR RAILROAD RIGHT OF WAY, POTTER COUNTY, TEX.

Mr. SHEPPARD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 677, the bill (S. 4576) to authorize the Secretary of Commerce to grant an easement for a railroad right of way over and upon a portion of the helium gas bearing lands of the United States of America, in Potter County, in the State of Texas. The easement involves about 14 acres, for which the company is to pay the amount recommended by the Department of Commerce. The bill is approved by the entire committee and ought to pass immediately if it is to become law at this session.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

Mr. McNARY. Mr. President, while I generally oppose the practice of taking up matters on the calendar outside of

the regular calendar hour, I have examined the bill in question and see the emergency, and therefore have no objection.

Mr. SHEPPARD. I thank the Senator.

There being no objection, the bill was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.,* That the Secretary of Commerce be, and he is hereby, authorized and directed to grant and convey to North Plains & Santa Fe Railway Co., a railroad corporation organized and existing under and by virtue of the laws of the State of Texas, its successors and assigns, an easement for railroad purposes over and upon the following-described property, being a part of certain helium gas bearing lands heretofore acquired by the United States of America, to wit: A strip of land 400 feet wide lying 200 feet each side of the center line of the main track of the North Plains & Santa Fe Railway Co. as said main track is now located and constructed over that part of survey No. 35, G. & M. survey block No. 5, conveyed to the United States of America by deed recorded on the 19th day of September, 1931, in volume 227, pages 221 and the following, of the deed records of Potter County, State of Texas, said strip of land containing an area of 13.88 acres, more or less.

Sec. 2. That the grantee shall pay the Government of the United States of America \$13.87 per acre for the acreage contained in the right of way hereinbefore described.

Sec. 3. That the grantee, in further consideration for said easement, shall construct fences on each side of the right of way and maintain them in good condition.

Sec. 4. That the grant herein made shall be subject to the rights excepted and reserved to the Humble Oil & Refining Co. by the provisions of that certain warranty deed dated March 6, 1931, executed by said Humble Oil & Refining Co. to the United States of America, recorded September 19, 1931, in volume 227, pages 221 and the following, of the deed records of Potter County, Tex., and that certain working agreement between the Humble Oil & Refining Co. and the United States of America dated March 6, 1931, recorded September 19, 1931, in volume 224, pages 299 and the following, of said deed records.

Sec. 5. That the United States of America, its successors and assigns, shall have the unrestricted and unimpeded right to lay, maintain, inspect, and remove pipe lines for the transportation of oil, gas, and water, and lines for power and telephone, across said right of way at any and all times, and shall have the right to drill and operate oil and gas wells on said right of way at any location selected by the United States of America, its successors and assigns, except that while railroad tracks are actually in use thereon no well shall be drilled so close as to interfere with the operation of trains across said tracks; also that the grantee shall not unduly and unnecessarily interfere with the United States of America, its successors and assigns, in its use of said right of way.

#### RECESS

Mr. McNARY. I move that the Senate take a recess until 12 o'clock noon to-morrow.

The motion was agreed to; and the Senate (at 5 o'clock p. m.) took a recess until to-morrow, Thursday, May 12, 1932, at 12 o'clock meridian.

## HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 11, 1932

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Again, Blessed Lord, Thou hast not forgotten to be good and merciful unto us, hence we are prompted to repentance and faith; forgive our sins and help us along in hope and effort. In the performance of all our duties keep us free from misconceptions and misdirections; guard us against mistaken methods and ends. By Thy most holy Word and by the promises of the World's Redeemer let there be inspired in us high character and heroic service. Thou dost unerringly recognize the great soul in the smallest act, and in time Thou wilt crown it beyond the most glowing dream. Our Heavenly Father, we thank Thee. Amen.

The Journal of the proceedings of yesterday was read and approved.

CORRECT THE SPELLING OF THE NAME OF THE ISLAND OF PORTO RICO

The SPEAKER. This is Calendar Wednesday, and the Clerk will call the committees.

The Clerk called the committees; and when the Committee on Insular Affairs was called,